

# Annual Report 2020





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## Company information

### Naviair

Naviair Allé 1  
DK 2770 Kastrup

CVR: 26059763

Registered office: Kastrup

Financial year: 01.01.2020-31.12.2020

Naviair is a state-owned infrastructure company with status as a company owned by the Danish state represented by the Ministry of Transport.

Naviair has been designated by the Danish Civil Aviation and Railway Authority to provide air navigation services.

### Board of Directors

Anne Birgitte Lundholt, Chairman  
Per Møller Jensen, Deputy Chairman  
Esben Jean-Pierre Blum \*  
Michael Fleischer  
Flemming Kim Hansen \*  
Peter Labusz\*  
Birthe Høegh Rask \*\*  
Christina Rasmussen \*\*\*

\*) Elected by the employees

\*\*) Chairman of the Board of Directors' Audit Committee

\*\*\*) Member of the Board of Directors' Audit Committee

### Executive Board

Carsten Fich, CEO  
Mads Kvist Eriksen, CFO

### Auditors

PricewaterhouseCoopers  
Strandvejen 44  
DK 2900 Hellerup

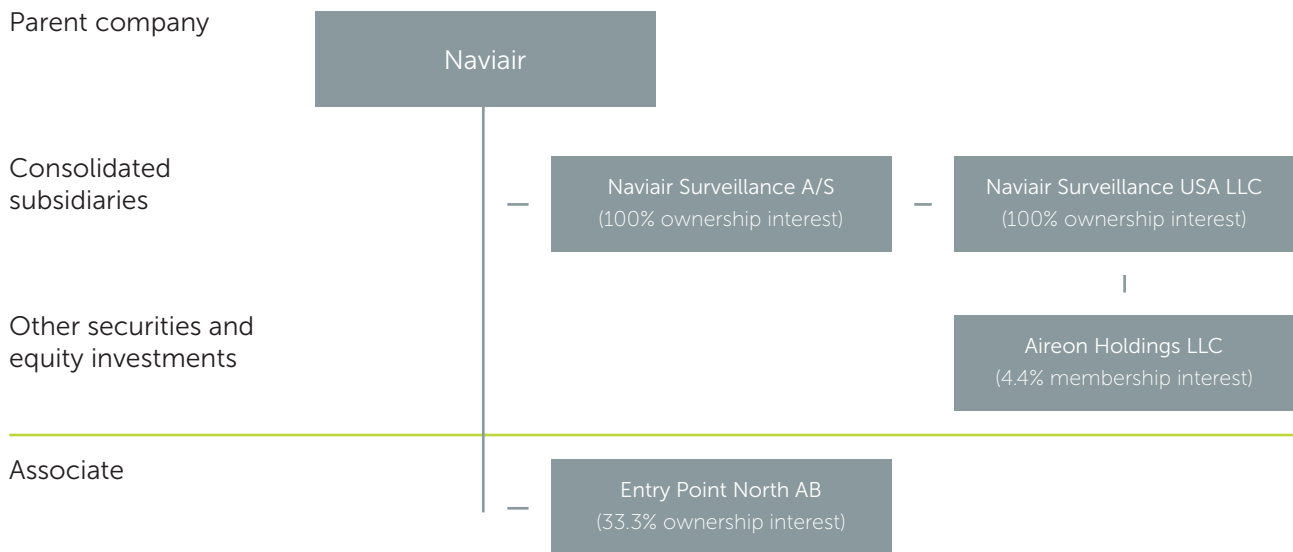
Rigsrevisionen (National Audit Office of Denmark)  
Landgreven 4  
DK 1301 Copenhagen K



# Company information

## Group structure

at 31 December 2020



## Naviair's mission and vision

### Naviair's mission

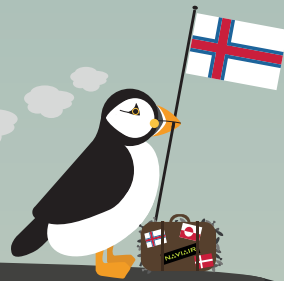
We will facilitate availability and mobility in airspace to support growth and safety in Denmark

### Naviair's vision

**We will challenge**  
one another to strike the right balance between capacity, service and costs to improve availability in Denmark

**We will develop**  
the infrastructure so that aviation can widen its reach and thus contribute to increased mobility in Denmark



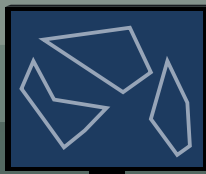


#### Air Traffic Management (ATM) in Danish airspace

- From the ATCC in Copenhagen, we provide area control services (En route) and approach control service to Copenhagen Airport.
- From the tower in Copenhagen, we provide aerodrome control service.
- From the towers in Roskilde, Billund, Aarhus, Aalborg and on Bornholm, we provide local aerodrome and approach control services.

#### Aeronautical Information Service (AIS)

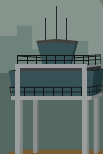
- We provide Aeronautical Information Publications (AIPs) in Denmark, Greenland and the Faroe Islands.



Vágar



Danmark  
Grønland  
Færøerne





# Naviair's core activities

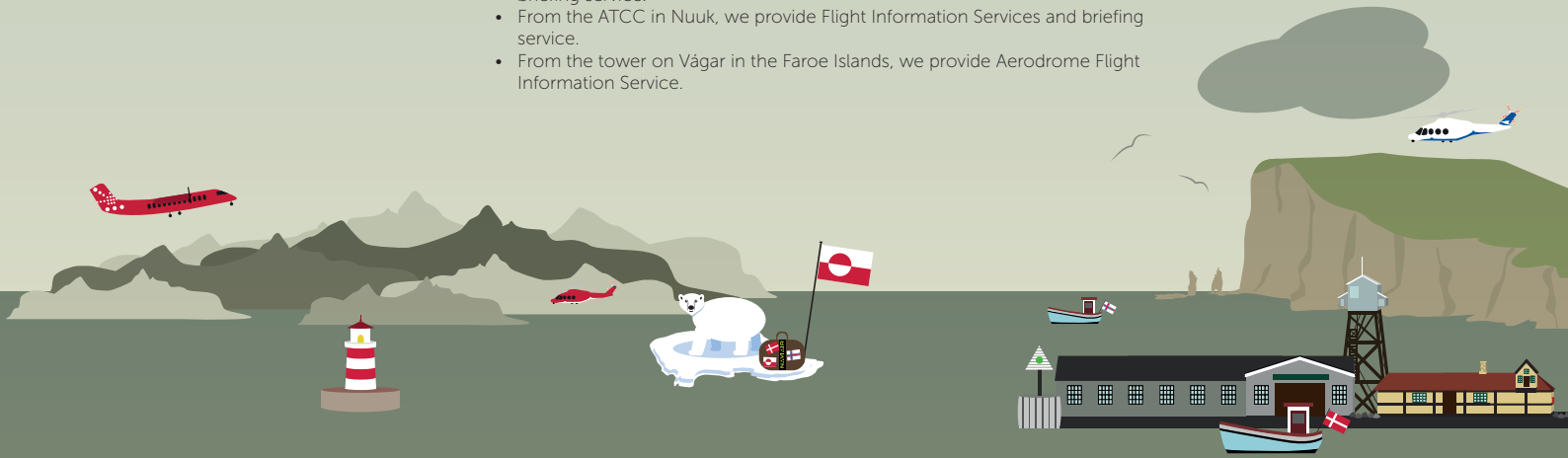


## The drones are coming

- Naviair's designation as an ANSP in Danish airspace includes drones.
- Our drone department will establish a traffic management platform for drones in the coming years that will enable both beyond visual line of sight operations (BVLOS) and integration with conventional air traffic.

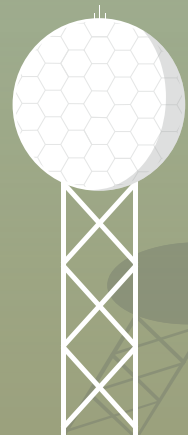
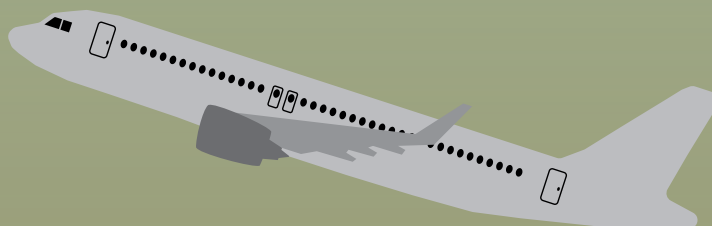
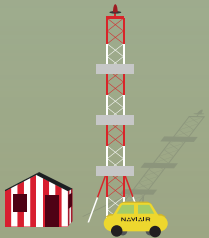
## Flight Information Services (FIS) in Denmark and the North Atlantic area

- From the ATCC in Copenhagen, we provide Flight Information Services and briefing service.
- From the ATCC in Nuuk, we provide Flight Information Services and briefing service.
- From the tower on Vágar in the Faroe Islands, we provide Aerodrome Flight Information Service.



## Technical support and maintenance

- We are responsible for technical support and maintenance of our own navigation systems, communications systems, surveillance systems and other ATM equipment in Denmark, Greenland and the Faroe Islands.
- From our technical bases in Copenhagen, Billund and Aalborg, we sell technical support and maintenance to aviation customers.





# Management's review

## Massive decline in traffic and realised income in 2020 as a result of COVID-19

From mid-March 2020, the aviation industry experienced a decline in air traffic of down to 10 per cent of the 2019 European traffic level as a result of the global COVID-19 pandemic. This marked the start of the most severe, longest-lasting crisis ever seen in aviation. All indications are that the pandemic and its repercussions will adversely affect aviation for many years to come.

In the case of Naviair, the decline in traffic led to a DKK 489 million decline in income in 2020 compared to the budgeted figure. This, in turn, put our liquidity under severe pressure during the year. At the same time, it was clear already during late spring that this was going to be a prolonged crisis that would adversely affect Naviair's financial position for a number of years.

The result for the year was a loss of DKK 47.0 million. The result benefited from a DKK 474 million adjustment of over-/under-recoveries. Of this figure, DKK 398 million related to the 2020 financial year by virtue of the EU regulation on exceptional measures. We thus expect to be paid this sum retrospectively through increased unit rates over a number of years from 2023. The European Commission's final approval of the recognised under-recovery is pending, and there is a small risk that the figure may be adjusted downwards.

In light of the Covid-19 pandemic, in 2020 we tested the valuation of our assets for any impairment. As a

consequence of the global decline in air traffic and the resulting decline in income, we wrote down the value of our ownership interest in Aireon by DKK 33.8 million. This adversely impacted the result.

The fact that a considerable part of our expected income did not materialise in 2020 resulted in a sizeable draw on our liquidity. Total liquidity draw in 2020 amounted to DKK 374 million. At the start of 2020, Naviair had a total holding of cash and cash equivalents and bonds of DKK 209.4 million. Because of the sizeable draw on our liquidity, all the bonds were sold and the total holding at the end of 2020 was DKK 10.4 million in cash and cash equivalents. In addition, we used part of our DKK 500 million loan facility, on which we had drawn DKK 175 million by the end of 2020.

The Danish state granted Naviair a 10-year bullet loan of DKK 500 million. In addition, our existing DKK 500 million loan facility was extended by 12 months, so it will remain in place until May 2022.

These two loans ensure that Naviair will have sufficient liquidity in 2021, as our projections show that at the end of the year we will need to draw down our loan facilities by around DKK 600 million. With our existing loan facilities totalling DKK 1 billion, we therefore have a further approx. DKK 400 million available to meet the expected draw on liquidity at the end of 2021.

To ensure Naviair's financial recovery, in June 2020 we implemented an adjustment plan with the aim of considerably reducing our annual costs. The savings will be made through reductions in our investments, payroll costs and other costs. In 2020, payroll costs were affected by a DKK 72 million provision for voluntary redundancies. Some of the savings will be achieved through efficiency improvements that were already planned as part of a series of initiatives associated with "Rejsen 2023" (Journey to 2023). This is the name of the strategy Naviair began implementing in 2019. Due to the implementation of the adjustment plan, a number of initiatives from the strategy have been accelerated in relation to the original plan. At the same time, a few strategic initiatives that require more resources and/or investments have been temporarily deferred.

The adjustment plan is organised for implementation in phases, so that it can be regularly adjusted in relation to COVID-19 developments and their expected future repercussions for Naviair. A major part of the adjustment plan was implemented in autumn 2020. At the same time, our strategy "Rejsen 2023" is to be adapted and updated in 2021 so that the content will reflect the change in Naviair's starting point.

The basis of the strategy remains our constant focus on safety, capacity and sound finances.

## Highlights in 2020

### January

Naviair signs a contract for system supplies for Naviair's Remote Tower Systems.

### February

Four new trainees for the ATCC in Nuuk pass the basic training course.

### March

The COVID-19 pandemic almost shuts down air traffic in Europe. In Danish airspace, traffic falls to index 10 compared to the 2019 level.

### April

The Remote Tower project is postponed to 2021 due to COVID-19.

### June

Naviair implements an adjustment plan to make annual savings of DKK 190 million in order to reverse the financial decline resulting from COVID-19.

Naviair is involved as a key partner in a new drone cooperation that is behind the establishment of the first U-space in Scandinavia, U-Space Fyn. Setting up U-Space Fyn has laid the foundations for the development of a drone sector in Denmark, where drones will eventually be able to carry out complex operations alongside conventional air traffic.

Vágar Airport and Naviair enter into an agreement on continuing cooperation on the running of Vágar AFIS and weather observation service. This means that Naviair is once again a permanent supplier to Vágar.

### August

EPN Denmark celebrates its fifth anniversary.

Naviair begins to draw down the DKK 500 million credit facility to be able to cover liquidity losses as a result of the COVID-19.

### September

As part of the adjustment plan due to COVID-19, Naviair signs voluntary redundancy agreements with 77 employees and abolishes the corresponding posts in Naviair. Together with the abolition of a number of unfilled posts, this will result in a future annual saving of just under DKK 90 million.

The COOPANS system in Copenhagen, Roskilde and Billund is successfully upgraded to Build 3.6 without any inconvenience to aviation.

### October

Naviair opens a new traffic management platform for drones for testing. The test is carried out in U-Space Fyn, and after the test period the platform will be opened for operation throughout Danish airspace and gradually expanded so that, in the long term, drones can fly beyond the drone operator's visual line of sight and operate safely and harmoniously in the airspace alongside conventional air traffic.

### November

Naviair introduces a formal whistleblowing scheme allowing employees, suppliers and customers to

report knowledge or suspicion of circumstances that are in breach of legislation or Naviair's internal regulations.

New five-year traffic forecast from Eurocontrol predicts that air traffic in Europe will not return to 2019 levels until 2024, and then only if an effective vaccine against COVID-19 is available in 2021.

Naviair's information security management system is ISO 27001-certified without any nonconformities.

Naviair takes over important system surveillance tasks from Copenhagen Airport valued at DKK 2 million per annum.

### December

TBST issues a new 373 certificate to Naviair, confirming that Naviair fulfils the requirements for an ANSP.



## Key figures and financial ratios

Naviair's financial performance since 1 January 2016 can be described using the key figures and financial ratios below:

### GROUP

(DKK million)	2020	2019	2018	2017	2016
<b>Income statement</b>					
Revenue	957.2	937.2	957.7	937.8	906.3
Operating profit (loss)	(12.0)	39.6	93.2	89.2	66.5
Net financials	(41.0)	1.5	(2.7)	(9.6)	(26.6)
<b>Profit (loss) for the year</b>	<b>(47.0)</b>	<b>37.4</b>	<b>70.3</b>	<b>65.6</b>	<b>18.2</b>
<b>Balance sheet</b>					
Fixed assets	1,329.3	1,399.1	1,387.4	1,357.5	1,307.2
Current assets	584.4	480.6	431.9	346.6	276.6
Balance sheet total	1,913.6	1,879.7	1,819.3	1,704.1	1,583.8
Interest-bearing debt	431.1	200.0	200.0	200.0	200.0
- of which subordinated loan capital	200.0	200.0	200.0	200.0	200.0
Equity	1,085.5	1,134.6	1,101.8	1,032.0	966.8
<b>Cash flow statement</b>					
Cash flows from:					
- operating activities	(301.0)	140.5	157.9	223.3	238.5
- investing activities	76.5	(162.3)	(222.9)	(143.2)	(159.1)
- financing activities	175.0	-	-	-	(136.6)
The year's investments in property, plant and equipment	(47.6)	(73.5)	(93.1)	(92.9)	(76.6)
Net increase (decrease) in cash and cash equivalents	(49.4)	(21.9)	(65.0)	80.1	(57.2)
Cash and cash equivalents at 31 December	10.4	59.8	81.7	146.7	66.6
<b>Average number of employees</b>	<b>627</b>	<b>630</b>	<b>631</b>	<b>625</b>	<b>646</b>
<b>Financial ratios (%)</b>					
Operating margin	(1.3)	4.2	9.7	9.5	7.3
Return on capital employed	(0.6)	2.1	5.1	5.2	4.2
Solvency ratio excl. subordinated loan capital	56.7	60.4	60.6	60.6	61.0
Solvency ratio incl. subordinated loan capital	67.2	71.0	71.6	72.3	73.7
Return on equity	(4.2)	3.3	6.6	6.6	1.9
<b>Other financial ratios</b>					
Gearing	1.7	(0.4)	(0.4)	(0.8)	(0.4)
Interest cover ratio	5.4	8.5	14.0	12.5	5.6

Financial ratios are prepared in accordance with the recommendations and guidelines of CFA Society Denmark.

## PARENT COMPANY

2020	2019	2018	2017	2016
957.2	937.3	957.8	937.8	906.3
(11.9)	39.9	93.5	89.2	66.7
(63.1)	(3.2)	(3.0)	(2.1)	(26.1)
<b>(70.5)</b>	<b>31.5</b>	<b>67.8</b>	<b>67.4</b>	<b>23.4</b>
1,174.8	1,271.5	1,266.5	1,243.0	1,210.6
713.8	603.1	549.0	453.4	368.1
1,888.7	1,874.6	1,815.5	1,696.4	1,578.7
431.1	200.0	200.0	200.0	200.0
200.0	200.0	200.0	200.0	200.0
1,059.1	1,129.6	1,098.1	1,030.2	962.9
(297.0)	147.3	163.6	223.2	144.9
76.5	(162.3)	(222.9)	(124.0)	(101.6)
175.0	-	-	-	(136.6)
(47.6)	(73.5)	(93.1)	(92.6)	(76.6)
(45.4)	(15.0)	(59.2)	99.2	(93.3)
9.9	55.3	70.3	129.5	30.3
627	630	631	625	646
(1.2)	4.3	9.8	9.5	7.4
(0.6)	2.1	5.2	5.3	4.2
56.1	60.3	60.5	60.7	61.0
66.7	70.9	71.5	72.5	73.7
(6.4)	2.8	6.4	6.8	2.5
1.8	(0.4)	(0.4)	(0.7)	(0.2)
5.8	8.9	14.6	13.3	5.7

Key figures and financial ratios are defined and calculated in accordance with the guidelines of CFA Society Denmark.

**Operating margin:**

$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$

**Return on capital employed:**

$\frac{\text{Operating profit} \times 100}{\text{Total assets}}$

**Solvency ratio:**

$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$

**Return on equity:**

$\frac{\text{Profit for the year} \times 100}{\text{Average equity}}$

**Gearing:**

$\frac{\text{Net interest-bearing debt (excl. subordinated loan capital)}}{\text{EBITDA (operating profit + depreciation, amortisation and impairment losses)}}$

**Interest cover ratio:**

$\frac{\text{EBITDA} + \text{interest income}}{\text{Interest expense}}$



## Operating and financial review

Naviair presents an annual report for both the group and the parent company.

As a general rule, in the annual report we only comment on the group's accounting figures. The main difference between the group and the parent company is that investments in associates are recognised at cost in the parent company and using the equity method in the group.

### Profit for the year

The pre-tax result for the year was a loss of DKK 53.0 million compared to a profit of DKK 41.0 million in 2019.

The result for the year was depressed by a decline in traffic, which, in turn, led to a reduction in income of approx. DKK 500 million, provisions for voluntary redundancies of DKK 72.0 million, and a DKK 33.8 million write-down on Aireon. The result for the year benefited from adjustment of over-/under-recovery of charges of DKK 474.0 million.

The result is considered to be unsatisfactory compared to the original profit outlook.

### Unit rates

The en route unit rate for Danish airspace was DKK 429 per service unit in 2020. The unit rate will be lowered to DKK 404 in 2021. Naviair's share represents 87.3 per cent (DKK 353) of this figure, while the rest goes to the Danish Civil Aviation and Railway Authority and the Danish Meteorological Institute (DMI).

The reduction was due to previous years' low inflation and higher traffic growth, which meant that higher payments were collected from customers. This over-recovery will be reversed in the form of a reduction of the rate in 2020 and 2021. The rate will be reduced despite the transition to Reference Period 3 (RP3) of the performance plan. The cost level projection for 2020 features increasing operating expenses for staff and recruitment as well as transition costs.

From 2013 to 2021, the en route rate has been reduced from DKK 548 per service unit to DKK 404. The en route rate has been reduced by 26 per cent overall since 2013.

The unit rate for aerodrome control service at Copenhagen Airport (TNC Copenhagen) for 2021 has been set at DKK 974, compared to DKK 1,013 in 2020. The rate has been reduced,

overall, for the same reason as for En route, i.e. the transition to RP3.

The rate for TNC Copenhagen is 28.4 per cent lower than in 2013, when it was DKK 1,361 per service unit.

### Traffic

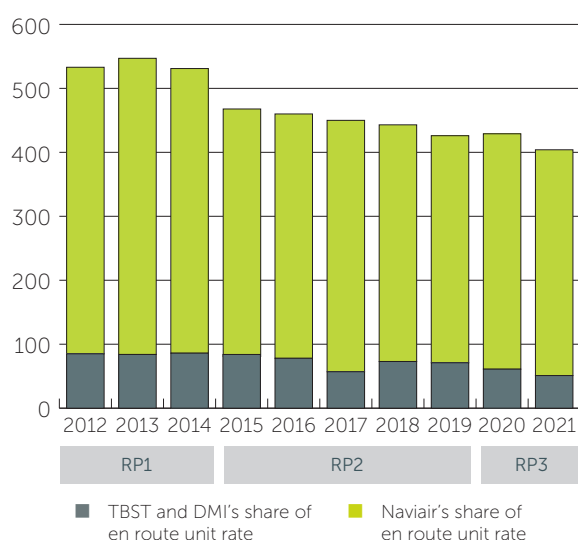
Air traffic in Danish airspace saw a severe decline from March and for the remainder of the year due to COVID-19.

Controlled operations in Danish airspace declined by 59.0 per cent in 2020, overall, from 669,375 in 2019 to 274,058. The aviation industry has never previously experienced such a severe, prolonged decline in traffic. Expressed in service units, traffic declined by 59.7 per cent in 2020 compared to 2019.

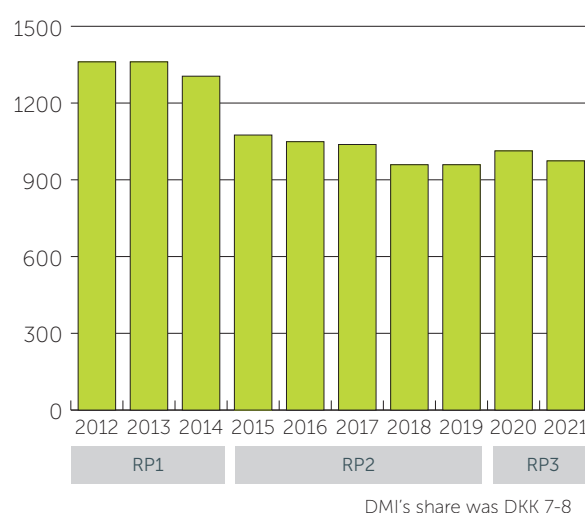
Copenhagen Airport also saw a severe downturn in the number of departures and arrivals. The number of operations was 98,204 in 2020 compared to 263,434 in 2019. This represents a decrease of 62.7 per cent. The number of service units in TNC Copenhagen declined by 62.8 per cent in 2020 compared to 2019.

The number of departures and arrivals at Billund Airport in 2020 declined by 58.6 per cent, from 46,120 operations in 2019 to 19,087.

Unit rate, En route (DKK)

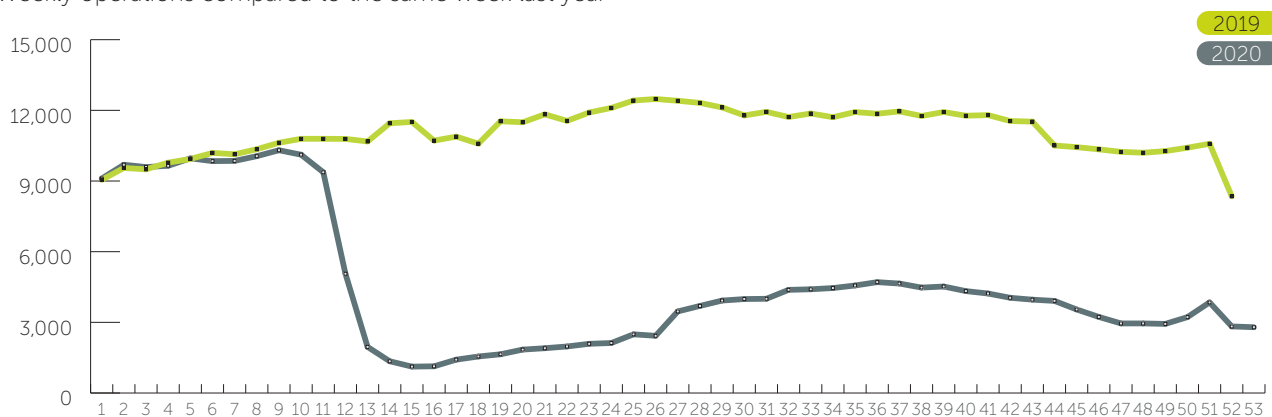


Unit rate, TNC Copenhagen (DKK)



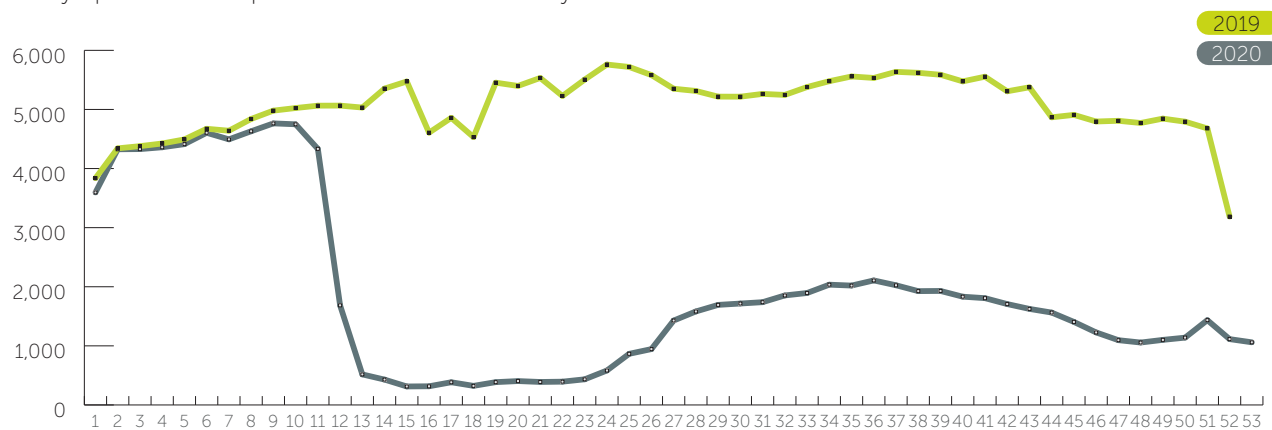
### En route (ACC) - Operations controlled by ATCC

Weekly operations compared to the same week last year



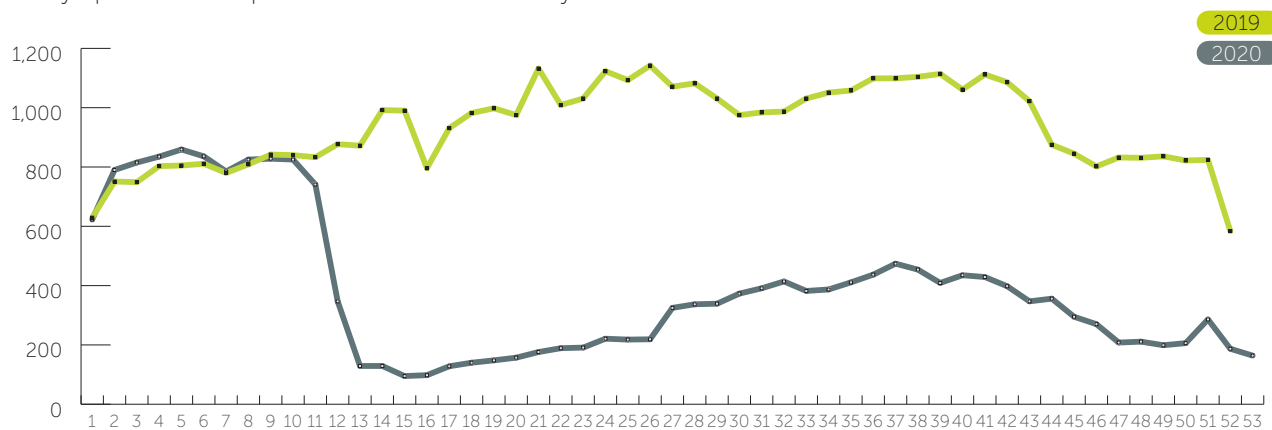
### Copenhagen, Kastrup – Operations controlled by tower in Copenhagen

Weekly operations compared to the same week last year



### Billund – Operations controlled by tower in Billund

Weekly operations compared to the same week last year



Domestic air travel expressed in terms of number of operations was also seriously impacted by the COVID-19 pandemic, falling by 35.6 per cent from 2019 to 2020.

We maintained our usual, high efficiency in ATM in 2020, despite the pandemic. Naviair maintained its ATM with almost no delays for the tenth consecutive year, and our efficiency level is among the highest in Europe. The average en route delay in Danish airspace, for which Naviair is responsible, was 0.00 minute per operation again in 2020. The maximum accepted average delay is 0.07 minutes per operation.

The high efficiency was also maintained at Copenhagen Airport, where, again in 2020, air traffic was managed without any delays for which Naviair was jointly responsible. Delays due to weather conditions and work activities on the runway totalled 0.00 minutes per arrival at Copenhagen Airport, where the maximum accepted average delay is 0.10 minutes per arrival.

Our efficiency level remains very high. Use of capacity is described as fully satisfactory. In the years to come, our aim is also to maintain delay-free ATM.

### Operating income from ordinary activities

Revenue, consisting of income from our areas of activity, was DKK 957.2 million in 2020 compared to DKK 937.2 million in 2019. The biggest component of revenue was adjustment of over-/under-recovery of charges of DKK 474.0 million as a result of COVID-19. In 2019, this item was a negative DKK 31.9 million.

As the rules stand, under-recovery was recognised as income in 2020, even though Naviair will not be able to begin to collect some of the DKK 474.0 million from airlines until 2023 and 5-7 years after that in the form of higher unit rates.

### Other external expenses

Other external expenses amounted to DKK 214.8 million compared to DKK 215.2 million in 2019.

### Staff costs

Staff costs were DKK 667.6 million compared to DKK 597.8 million in 2019. Total staff costs thus increased by DKK 69.8 million, mainly due to provisions for voluntary redundancies, which amounted to DKK 72.0 million. The voluntary redundancies will be implemented in 2021 and, together with the abolition of unfilled posts, will result in annual savings in the order of DKK 90 million.

The number of employees averaged 627 in 2020, compared to 630 in 2019.

### Depreciation, amortisation and impairment losses

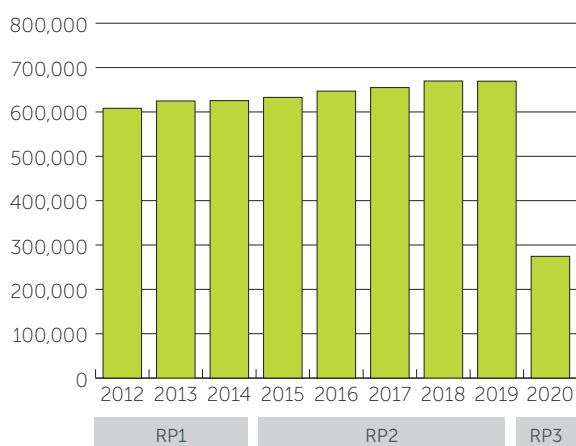
Depreciation, amortisation and impairment losses were up at DKK 106.1 million from DKK 101.5 million in 2019, reflecting completed infrastructure projects. Investments in intangible assets and property, plant and equipment were DKK 73.0 million, DKK 39 million less than in 2019.

### Balance sheet

Naviair's balance sheet total stood at DKK 1,913.6 million at 31 December 2020 compared to DKK 1,879.7 million at 31 December 2019. The increase was due to the effect on the balance sheet total of the amounts payable to Naviair by the airlines for regulatory under-recovery of charges resulting from lower traffic during the COVID-19 pandemic and amounts payable by specific airlines for the deferral of the payment deadline to 2021 for flights in March to May 2020. Added to this are amounts payable by the Danish state for reimbursement of civil servants' pensions.

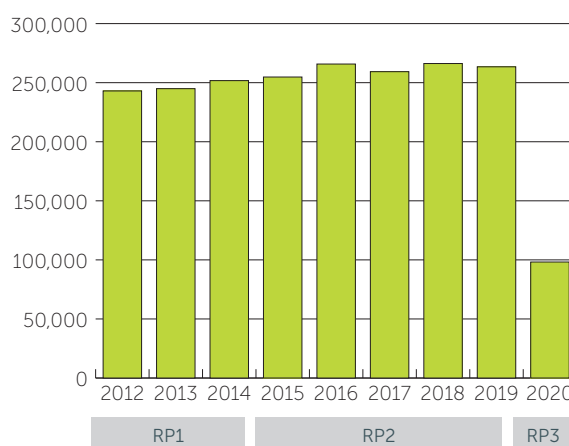
### Operations, En route

En route operations, Danish airspace



### Operations, TNC Copenhagen

Departures and arrivals, Copenhagen Airport







In consequence of the decline in global air traffic due to COVID-19, it is our assessment that there are indications that the value of the company's intangible assets and property, plant and equipment may be impaired. In light of this, we have performed an impairment test, which assessed the extent of the need to write down the carrying amounts of intangible assets and property, plant and equipment to a lower recoverable amount. The outcome of the impairment test was that there was no need for any write-downs. Please see note 12 for further details, including sensitivity, relating to the impairment test that was carried out.

The balance sheet total was negatively affected by a reduction of over DKK 200 million in Naviair's holding of cash and cash equivalents and securities, resulting from fewer flights and the subsequent decline in realised income. In addition, Naviair drew down DKK 175 million from its DKK 500 million bank loan facility to secure liquidity.

Because of the significant reduction in air traffic in 2020, our realised income showed a similar significant

fall from the end of February and during the remainder of the year. Under the agreement on exceptional measures adopted by the Appeal Committee our actual costs will be covered subject to certain specified conditions. In light of this, in our opinion we will be entitled to collect a part of our actual costs in 2020 from the airlines through increased unit rates, starting during a 5-year period from and including 2023. Naviair's over/under-recovery of charges is adjusted annually.

Naviair's equity at 31 December 2020 was DKK 1,085.5 million, made up of contributed capital of DKK 600.0 million, retained earnings of DKK 459.1 million and a reserve for net revaluation according to the equity method of DKK 26.4 million.

At 31 December 2020, there was an outstanding debt of DKK 200 million on the subordinated loan that Naviair was granted at the time of its establishment as a company owned by the Danish state in 2010. The subordinated loan was provided on terms that mean that the loan can be accounted for as equity or capital ranking as equity at any time.

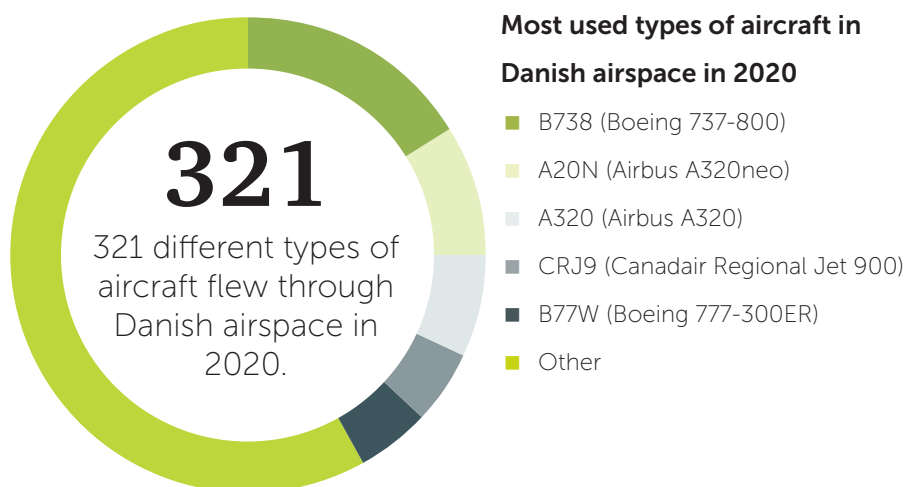
Cash flows from operations (ordinary activities) for the year were an outflow of DKK 294.3 million. There was a DKK 49.4 million decrease in cash, mainly due to less realised income due to the COVID-19 pandemic. Together with the loan from the Danish state, the bank loan facility of DKK 500 million will ensure sufficient liquidity to maintain operation in 2021.

The solvency ratio including subordinated loan capital was 67.2 per cent.

## The parent company's profit by cost base

The two largest cost bases, En route – Denmark and TNC Copenhagen, are regulated by European Commission Regulation No 391/2013 of 3 May 2013 laying down a common charging scheme for air navigation services.

Under this regulation, Naviair is under obligation to break down its income and costs by cost base. Costs are broken down by direct allocation to the cost bases, partly through time recording on tasks or using sharing keys.



COST BASE STATEMENT 2020 (DKK '000)	En route Denmark	En route Domestic Greenland	En route North Atlantic	TNC Copenhagen	Other	Total
Revenue incl. adjustment of over-/under-recoveries	644,167	29,792	35,388	180,930	66,939	957,216
Other external expenses	(126,951)	(16,100)	(21,141)	(34,672)	(15,837)	(214,701)
Staff costs less work performed for own account and capitalised	(423,265)	(11,843)	(11,894)	(128,205)	(73,085)	(648,292)
<b>EBITDA</b>	<b>93,951</b>	<b>1,849</b>	<b>2,353</b>	<b>18,053</b>	<b>(21,983)</b>	<b>94,223</b>
Depreciation, amortisation and impairment losses	(82,019)	(1,726)	(5,716)	(14,824)	(1,808)	(106,093)
<b>EBIT</b>	<b>11,932</b>	<b>123</b>	<b>(3,363)</b>	<b>3,229</b>	<b>(23,791)</b>	<b>(11,870)</b>
Net financials	(7,112)	(123)	(339)	(1,068)	(54,477)	(63,119)
<b>Profit (loss) before tax</b>	<b>4,820</b>	<b>0</b>	<b>(3,702)</b>	<b>2,161</b>	<b>(78,268)</b>	<b>(74,989)</b>

## Performance requirements

Naviair has been subject to the European performance plan since 2012. The performance plan is the result of the Single European Sky legislation through which the EU aims to ensure both more efficient utilisation of European airspace and sufficient airspace capacity to accommodate the growing level of air traffic. Another objective is to cut CO<sub>2</sub> emissions and the costs of air navigation services.

The performance plan is legally binding on EU Member States. Denmark – and thus Naviair – is measured on its performance. ANSPs that do not satisfy the performance requirements may be subject to corrective action in the form of the imposition of future rate reductions.

In 2020, the European performance plan entered its third Reference Period (RP3), which runs through to the end of 2024. Naviair is subject to the performance plan for the Danish-Swedish Functional Airspace Block, which sets out performance targets in four areas: Safety, Capacity, Environment and Cost Efficiency. The performance plan for RP3 was expected to be approved by the EU Commission in the course of 2020. However, the process has been deferred because of the COVID-19 pandemic. Up to October 2020, the Commission negotiated with the Member States on exceptional measures to handle the performance plan, with particular focus on the ANSP's reaction to the COVID-19 pandemic.

The COVID-19 pandemic has removed all previous assumptions underlying RP3. In the course of spring 2021, the Commission will propose new cost efficiency targets and probably also new targets in the areas of environment and capacity. The Member States will then have to submit new performance plans in autumn 2021 for the period up to 2024.

Although the performance plan has yet to be approved, the fact remains that it is based on the assumption that we will maintain our existing high safety level. At the same time, the Capacity target lays down a maximum delay level that Naviair can impose on individual flights. The maximum average delay level is set at 0.07 minutes per en route flight and 0.10 minutes per landed flight at Copenhagen Airport. The level is considerably lower than the European average.

The Environment target is set on the basis of how far out of its way an aircraft flies in relation to the direct route. As Free Route Airspace was implemented in Danish airspace back in 2011, Naviair manages air traffic so that 99.8 per cent of all aircraft fly the most direct route with no detours. The potential for improvement is therefore very limited and the target for the period is to maintain the high level of direct flights. Among the 41 member countries of Eurocontrol, Denmark already delivers – through Naviair's ATM – the second-best performance for Environment measurement.

## Customers

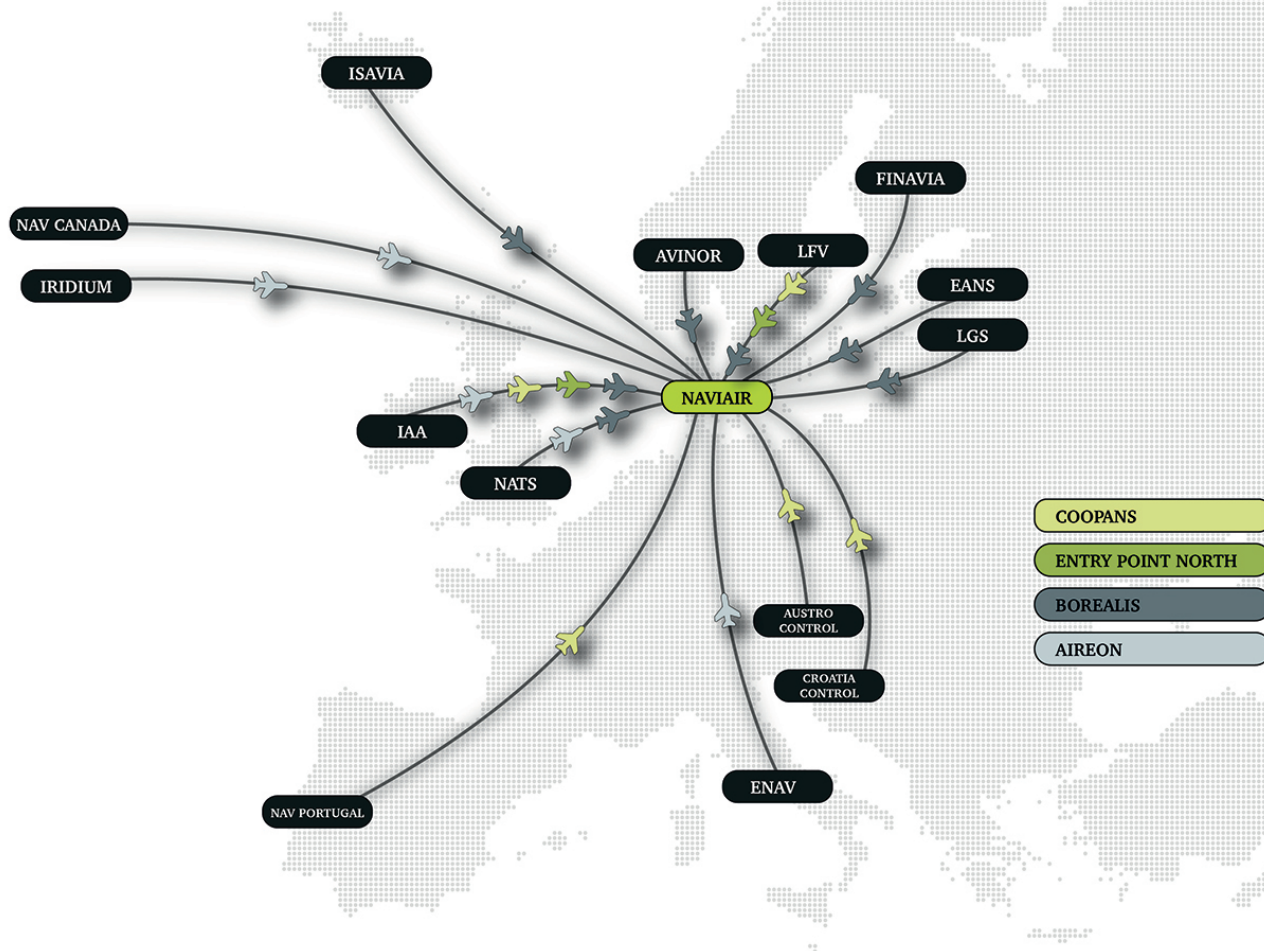
In 2020, the aviation market was seriously impacted by the COVID-19 pandemic and the aviation industry has never before experienced a similar crisis. All our customers have been hard hit and operated traffic in 2020 at between 10 and 50 per cent of their operational level in 2019, and in addition, the number of passengers on board most flights was more than halved compared to 2019.

At Naviair we have endeavoured as far as possible to support our customers in this difficult situation by maintaining the highest possible level of service and long-term reduction of our annual costs. At the same time, we have maintained our ongoing dialogue with customers and, based on their difficult situation, endeavoured to familiarise ourselves with and meet their needs and expectations in all areas.

From Copenhagen, we provide Aeronautical Information Service (AIS) comprising Aeronautical Information Publications (AIPs) for Denmark, Greenland and the Faroe Islands. We publish AIPs for all three areas as well as a Visual Flight Guide (VFG) for Denmark. We also publish Aeronautical Information Circulars (AICs), Supplements and Notices To Airmen (NOTAMs).

Approx. 1,400 customers subscribed to the newsletter about our publications in 2020.





## International partnerships and alliances

Aviation and ATM are by nature activities that cross borders. Good international cooperation is a pre-requisite for being able to find the best solutions and fulfilling our responsibility to ensure optimum mobility in and access to Danish airspace. We therefore give high priority to our international relationships and participate in a number of international alliances.

These international alliances enable us to influence international development in our part of the aviation industry and help to promote efficiency, harmonisation and development in all areas of ATM.

Together with our partners we lead European efforts in a number of fields to ensure international progress in the operational, technical and training areas. These efforts underpin our goal of always being among the best-performing ANSPs and meeting the requirements of the Single European Sky programme.

## Cooperation about the joint Danish-Swedish airspace

Since 2009, we have been working intensively with Swedish LFLV on en route traffic in the joint Danish-Swedish airspace. Cooperation is coordinated between the management teams of LFLV and NaviAir, based on an objective of continued optimisation of the operation of the joint Danish-Swedish airspace. The benefits of this cooperation include considerable savings resulting from taking out joint insurance.

### COOPANS

COOPANS is an international partnership consisting of NaviAir, Austro Control, Croatia Control, the Irish Aviation Authority, LFLV and NAV Portugal. The COOPANS partners are working jointly to standardise and harmonise the technical equipment used for ATM.

NAV Portugal, the latest member to join COOPANS, will be buying a new ATM system in the coming years. The other five partners have already implemented full harmonisation of

their ATCCs in Denmark, Sweden, Ireland, Austria and Croatia. This is a unique development in European ATM, where the ANSPs in the other countries are still running their ATCCs with individual, technically very diverse systems.

We estimate that we cut our system development costs considerably compared to the costs each partner would incur if we had to develop the technology independently. To this should be added our considerable savings in operating expenses as a result of joint work concepts and exchange of experience.

The COOPANS cooperation includes a common approach to and participation in SESAR 2020, SESAR Deployment Manager, EU funding projects and the A6 Alliance in which COOPANS Alliance participates on an equal footing with the five largest ANSPs in Europe.



### Entry Point North

Since its establishment in 2006, the Air Traffic Service academy Entry Point North has developed into one of the most successful academies offering ATM training and courses.

Entry Point North is situated at Malmö Airport and is jointly owned by Naviar, the Irish Aviation Authority and LFV. The academy provides tailored training courses to ANSPs in more than 20 countries.

### Borealis

Together with LFV, we introduced Free Route Airspace already in 2011, enabling airlines to freely plan their flights through the Danish-Swedish airspace. Through our membership of Borealis, we are working together with a number of other ANSPs in Northern Europe to extend FRA across Northern Europe. FRA makes it easier for airlines to optimise their flights by planning the shortest, most fuel-efficient flight times.

### Aireon

Aireon is a US LLC. Its business strategy is based on the sale of air traffic surveillance data, mainly to ANSPs but also to others, including airlines and flight handling companies.

Naviar is one of the partners in Aireon, with a 4.4 per cent stake, and is thus among the global frontrunners when it comes to developing aviation. The other investors are the US telecommunications company Iridium Communications Inc. (35.8%) and the ANSPs NAV Canada (37.2%), Italian ENAV (9.1%), the Irish Aviation Authority (4.4%) and UK NATS (9.1%).

A total of 75 Aireon ADS-B-equipped satellites have been placed in orbit in recent years. The Aireon system went live in April 2019, allowing ATCOs and other aviation stakeholders to track flight movements in real time across the globe for the first time ever. Until now, ground-based surveillance equipment has only been able to cover approx. 30 per cent of the globe, meaning that ATCOs have relied exclusively on the periodic position, course, altitude and speed updates from pilots to track outside of radar coverage.

The far more precise surveillance data mean that use of the airspace over oceans and remote areas can be optimised and that air traffic can be managed far more efficiently than before. This, in turn, will mean

considerable fuel savings for airlines, resulting in significant environmental benefits in the form of reduced emissions from aircraft.

NAV Canada estimates that airlines en route over the North Atlantic will make fuel savings of at least DKK 650 million in total and that airspace capacity will increase.

In addition, the Aireon system will contribute to improvements in the safety area, as in the future aircraft will be far less likely to vanish without a trace.



The first users of the Aireon system were NAV Canada and the UK NATS, which use the system to support cross-Atlantic ATM between Europe and Canada. At the end of 2020, Aireon had approx. 20 paying customers – mainly ANSPs. However, in 2020 the COVID-19 pandemic and the consequent general downturn and lack of money in the aviation market slowed the pace of Aireon's expansion and made sales to new customers difficult.

The reduction in traffic due to the COVID-19 pandemic also had a financial impact on Aireon through decreased income, as customers are invoiced on the basis of the number of flight hours. Aireon has therefore taken a number of steps to create a balance between income and expenditure – including significant reductions in the number of employees.

We still expect payment of dividends on our investment but predict that this will happen later than originally planned.

Because of the reduction in global air traffic due to the impact of COVID-19 we have carried out a reassessment of the fair value of the equity investment in Aireon. The reassessment of the fair value led to a negative adjustment of DKK 33.8 million, partly reflecting updated expectations concerning the dividend on the investment. Reference is made to note 13, which provides further details of the basis for the valuation.

### A6 Alliance

The A6 Alliance is a coalition of the largest ANSPs in Europe. COOPANS is a member of the alliance.

The A6 Alliance works with SESAR and is a part of both SESAR Joint Undertaking, which works on the development of new systems and procedures for modernising the European ATM system, and SESAR Deployment Manager, which works on the implementation of the new systems and procedures in Europe.

The A6 Alliance was founded in 2011. The members of A6 are responsible for more than 80 per cent of European airspace and more than 70 per cent of investments in the future European ATM infrastructure.

### Drones

Naviair's designation includes drone traffic in Danish airspace. The need to focus on this area continues to increase in step with the huge growth in the number of commercial drones, both in Denmark and worldwide.

In Denmark alone, there were more than 5,000 registered commercial drones in 2020, and this figure is expected to double by 2025. The number of drones continues to grow and there is rising demand for drone services from the healthcare sector, business, agriculture and the authorities, requiring increasingly complex operations. There is therefore a need to quickly establish a traffic management platform that will enable complex operations, beyond visual line of sight operations, and safe, efficient drone traffic integrated with conventional air traffic.

In 2019, Naviair therefore set up a drone department which, in close partnership with the other players in the industry, will be responsible for establishing a Danish UTM platform. Testing the platform began in October 2020 in U-Space Fyn. According

to the plan the UTM platform will be opened to the drone sector throughout Denmark in 2021, and in 2022 the platform will provide traffic management that will enable beyond visual line of sight operations. In the years that follow, the platform will be extended to enable it to handle increasingly complex drone operations.

The introductory phase of the UTM platform is financed by a grant of DKK 25 million from the Danish state.

Naviair is part of the U-Space Fyn cooperation, which comprises players from all areas within the drone industry – including the University of Southern Denmark (SDU), UAS Denmark Test Center (Unmanned Aviation System), the Danish Civil Aviation and Railway Authority, and industry representatives.

### CSR Report

The statutory corporate social responsibility report and the report on the gender composition of governance bodies, in accordance with sections 99(a) and (b) of the Danish Financial Statements Act, are included in the separate "CSR Report". In our CSR Report, we report on how we worked on our non-financial business goals in 2020, and how we performed during the year. For an in-depth, quantified description of our CSR performance in 2020, reference is therefore made to the CSR Report.

For further information, see [www.naviair.dk/ar](http://www.naviair.dk/ar).

### Corporate governance

The framework for Naviair's activities is set out in the Danish Act on Naviair. With our status as a company owned by the state, Naviair is ultimately subject to the authority of the Danish state represented by the Danish Ministry of Transport, within the framework established by law.

We plan our corporate governance so that it is adapted both to legislation and the nature of our company. Naviair is also subject to the Danish Companies Act, the Financial Statements Act and other legislation with the relevant adjustments applicable to Naviair. Naviair is also governed by the Danish Access to Public Administrative Documents Act and the Public Administration Act.

We comply with the Danish state's recommendations on corporate governance, where relevant for a company with our activities. The recommendations comprise guidelines on the management of state-owned enterprises, including requirements, expectations and recommendations on corporate governance. A compilation of the recommendations can be found on the website of the Danish Ministry of Finance, [www.fm.dk](http://www.fm.dk).

In addition, of the recommendations of the Committee on Corporate Governance described at [www.corporategovernance.dk](http://www.corporategovernance.dk), we comply with those that are relevant to Naviair given Naviair's special corporate form.

In 2020, Naviair put a whistleblowing system in place, whereby employees, suppliers and customers can raise concerns about breaches or suspected breaches of legislation or Naviair's internal regulations.

The Board of Directors takes care of Naviair's overall and strategic management and supervises the Executive Board.

The general duties and responsibilities of the Board of Directors are set out in rules of procedure for the Board of Directors.

The Executive Board is responsible for the day-to-day management of Naviair and must therefore comply with the guidelines and instructions provided by the Board of Directors.

The Board of Directors has eight members, five of whom have been appointed by the Danish Minister for Transport – including three women and two men. The other three members – three men – have been elected by the employees. The members of the Board of Directors collectively possess general business and leadership skills as well as insight into aviation and society in general. An annual self-assessment procedure has been established for the Board of Directors. The Board's latest self-evaluation was in December 2020.

The Board of Directors meets at least once a quarter, in accordance with Naviair's Articles of Association. The Board held six meetings in the past year.

The chairmanship of the Board of Directors meets with the Danish Minister for Transport every quarter and at these meetings gives an extensive, detailed report on the company's strategic situation, follow-up on the company's operating results, etc.

Accounting and control systems are designed to ensure that internal and external financial reporting give a true and fair view without material misstatement and that appropriate accounting policies are defined and applied.

The Board of Directors and the Executive Board regularly review material risks and internal controls related to Naviair's activities and their potential impact on the financial reporting process.

The responsibility for maintaining adequate and effective internal controls and risk management in connection with the financial reporting lies with the Executive Board. The Executive Board monitors the financial position, partly via monthly reporting. Furthermore, the Executive Board reports on the company's financial position to the Board of

Directors ahead of each meeting of the Board of Directors. Procedures, accounting instructions etc. are described in Naviair's Financial Reporting Manual.

The Board of Directors monitors the financial reporting process, including that applicable laws are being complied with and that the accounting policies are relevant. The Board has an Internal Audit Committee with two members.

## Special risks

We regularly assess the risks to which our company may be exposed. In our assessment of general risks for Naviair in 2020, we identified three risk areas that warrant special mention. These are the negative trend in air traffic, the risk of cyber attacks, and failure of our technical systems.

In order for a risk to be classified as high, it must both be probable that the area will be affected and the risk must have serious consequences if it materialises.

### Air traffic

Naviair's financial flexibility is limited, as we are bound by a relatively high proportion of fixed costs in the form of specialist staff and specially developed systems. We consequently cannot adjust our costs overnight in response to situations in which we experience a sharp decline in income or a sharp increase in air traffic. Even in a crisis, when traffic is at a very low level, we still need considerable operational basic manning in order to be able to maintain full ATM. Naviair itself is responsible for the training of ATCOs, and we always endeavour to have the necessary resources to meet the needs of the aviation industry and provide the service required.

Naviair's principal income is directly dependent on the volume of en route traffic in Danish airspace and traffic to and from the airports we serve. The negative trend in air traffic

represents a high financial risk for Naviair in the coming years. This applies in particular to the coming requirements (RP3) for cost reductions and price changes, under which the prices we can charge from 2022 onwards will have to be approved by the EU. The negative trend may also result in further reductions in the airlines' ability to pay, which may lead to a higher direct loss.

We expect that the COVID-19 pandemic will result in a considerably lower level of traffic than in 2019 until 2024 and possibly even longer. Current forecasts for air traffic are subject to great uncertainty. In relation to current forecasts, Naviair's loan facility of DKK 1 billion is sufficient to secure the company's operation in 2021, when we expect excess liquidity of DKK 400 million at the end of 2021. We will regularly prepare new analyses and forecasts in order to ensure that Naviair will continue to have sufficient liquidity and long-term financial sustainability in the years to come.

### Cyber attacks

Naviair is subject to the circular on critical infrastructure, and we are working systematically to reduce and minimise the risk of cyber attacks. In 2020, Naviair became ISO 27001-certified to handle cyber and information security. We have set up a Cyber and Information Security Committee that continuously monitors the threat landscape and puts the spotlight on cyber security.

### Technical systems

Naviair provides ATM using technical systems. We have protected ourselves, as far as possible, against the risk of technical failures by establishing sound back-up systems in all areas.

### Insurance

Naviair has an insurance programme under which we have insured insurable risks so that any claims and actions giving rise to liability will not constitute a financial risk to our company. Besides statutory insurance, we have taken out insurance against consequential loss, product liability and special aviation liability.

### Outlook for 2021

For 2021, we still expect significantly less air traffic than before the COVID-19 pandemic. Eurocontrol's forecast, on which our outlook is based, predicts that traffic in 2021 will be between 50 and 73 per cent of the traffic level in 2019.

In accordance with current EU rules, when the unit rates for 2021 were set no account was taken of the COVID-19 pandemic and the resulting lower traffic. According to the EU rules, the en route unit rate will be reduced by just under 6 per cent and the unit rate for aerodrome control service in Copenhagen will be reduced by just under

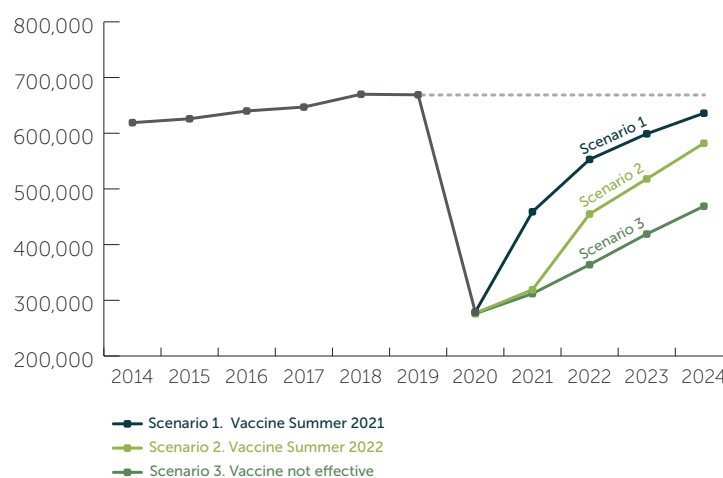
4 per cent. Like 2020, we expect to accumulate considerable under-recovery, which we will not be able to collect through increased rates until 2023 onwards. This will put further pressure on our liquidity in 2021. In our assessment, the agreements we have entered into on loan facilities provide us with adequate financial resources to maintain operations in 2021.

We do not expect the recognised under-recovery to fully compensate for the loss of income in 2021. As a result of lower unit rates and continued low traffic we expect lower income in 2021 than in 2020. At the same time, we expect our costs in 2021 to be less than in 2020, mainly because we do not foresee any provisions for voluntary redundancies or writing down the value of our ownership interest in Aireon.

Accordingly, based on current traffic forecasts we expect to break even in 2021, overall, and to draw a further around DKK 400 million from our loan facility in 2021.

### Eurocontrol's 5-year traffic forecast, En route Denmark

Number of operations with scenarios 1, 2 and 3.





# DKK 650 million

NAV Canada estimates that, thanks to Aireon,  
airlines en route over the North Atlantic  
will make fuel savings of at least DKK 650 million  
in total and that airspace capacity will increase.

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# Naviair's management

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## Board of Directors

### **Anne Birgitte Lundholt (Chairman)**

CEO, ABL ApS. Chairman of the Board of Directors of Lundgreen's Capital ApS. Member of the Board of Directors of Svaneke Bryghus A/S

### **Per Møller Jensen (Deputy Chairman)**

CEO, Stjernegaard Rejser A/S

### **Esben Jean-Pierre Blum**

Senior ATCO  
Elected by the employees

### **Michael Fleischer**

Former colonel and pilot with the Danish Air Force  
Chairman of Bevtøft Købmand ApS  
CEO, FLEAIR IVS

### **Flemming Kim Hansen**

Senior Engineer, ATM Support Systems.  
Elected by the employees

### **Peter Labusz**

ATCO  
Elected by the employees

### **Birthe Høegh Rask**

Chief Specialist, Performance Management, Terma A/S. Chairman of the Board of Directors' Audit Committee.

### **Christina Rasmussen**

Member of the Board of Directors' Audit Committee.

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## Executive Board

### **Carsten Fich**

CEO

### **Mads Kvist Eriksen**

CFO

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## Other senior executives

### **Thorsten Elkjær**

COO

### **Morten Søndergaard**

CTO

### **Pernille Juel Sefort**

CHRO

# Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today discussed and approved the annual report of NaviAir for the financial year 1 January – 31 December 2020.

The annual report is presented in accordance with the Danish Financial Statements Act (reporting class D) and the Danish Act on NaviAir.

We consider the accounting policies applied to be appropriate and, in our opinion, the financial statements give a true and fair view of the company's financial position and of the results of the company's operations and cash flows.

In our opinion, the Management's review gives a fair review of the development in the company's and the group's operations and financial

matters, the results for the year, the company's financial position, the financial position as a whole of the entities included in the consolidated financial statements as well as a description of the significant risks and uncertainty factors pertaining to the company and the group.

We recommend that the annual report be approved at the Annual General Meeting.

Copenhagen, 17 March 2021

## On the Executive Board

**Carsten Fich**  
CEO

**Mads Kvist Eriksen**  
CFO

## On the Board of Directors

**Anne Birgitte Lundholt**  
Chairman

**Per Møller Jensen**  
Deputy Chairman

**Flemming Kim Hansen \***

**Peter Labusz \***

**Esben Jean-Pierre Blum \***

**Birthe Høegh Rask \*\***

**Michael Fleischer**

**Christina Rasmussen \*\*\***

\*) Elected by the employees

\*\*) Chairman of the Board of Directors' Audit Committee

\*\*\*) Member of the Board of Directors' Audit Committee

# COOPANS

The COOPANS system in Copenhagen, Roskilde and Billund is successfully upgraded to Build 3.6 without any inconvenience to aviation.

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# Independent auditors' report

To the Danish Minister for Transport and the Board of Directors of Naviair

## Report on the consolidated financial statements and the parent company financial statements

### Opinion

We have audited the consolidated financial statements and the parent company financial statements of Naviair, a company owned by the Danish state, for the financial year 1 January – 31 December 2020 comprising income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The consolidated financial statements and the parent company financial statements are presented in accordance with the Danish Financial Statements Act and the Danish Act on Naviair.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the group's and Naviair's financial position at 31 December 2020 and of the results of the group's and Naviair's operations and cash flows for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act and the Danish Act on Naviair.

### Basis of opinion

We have conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark as well as good public auditing practice as the audit is performed on the basis of the provisions of the Danish Act on Naviair. Our respon-

sibilities under these standards and requirements are described in detail in the "Auditor's responsibility for the audit of the consolidated financial statements and parent company financial statements" section of the auditors' report.

The Auditor General is independent of Naviair pursuant to Section 1(6) of the Danish Auditor General Act and the approved auditor is independent of Naviair pursuant to international ethics standards for accountants (IESBA code of ethics) and the additional requirements applicable in Denmark. We have fulfilled our other ethical responsibilities in accordance with these provisions and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation and fair presentation of consolidated financial statements and parent company financial statements in accordance with the Danish Financial Statements Act and the Danish Act on Naviair. Management is also responsible for the internal control that management deems necessary for the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing Naviair's ability to continue as a going concern; for disclosing, as applicable, matters related to going concern; and for preparing consolidated financial statements and parent company financial statements on a going concern basis, unless Management either intends to liquidate Naviair or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibility for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark as well as good public auditing practice, see the Danish Act on Naviair, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,



they could reasonably be expected to influence the economic decisions of users of accounting information taken on the basis of these financial statements.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark as well as good public auditing practice, see the Danish Act on Naviair, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Naviair's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the

going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Naviair's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Naviair to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent company financial statements, including the note disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and

timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Statement on Management's review**

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not include the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements and the parent company financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the provisions of the Danish Financial Statements Act.

Based on the work performed, it is our opinion that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review.

## Report on other legal and regulatory requirements

### Statement on compliance audit and performance audit

Management is responsible for ensuring that the transactions comprised by the financial reporting comply with appropriations granted, legislation and other regulations as well as agreements concluded and normal practice; and that sound financial considerations have been applied in the management of the funds and the operation of the enterprises comprised by the financial statements. In that connection, Management is responsible for estab-

lishing systems and processes that support cost-effectiveness, productivity and efficiency.

In connection with our audit of the financial statements, it is our responsibility, in accordance with good public auditing practice, to select relevant subject matter for the compliance audit and the performance audit.

In a compliance audit, we test the selected subject matter to obtain reasonable assurance as to whether the transactions comprised by the financial reporting comply with appropriations granted, legislation and other regulations as well as

agreements concluded and normal practice. In a performance audit, we make an assessment to obtain reasonable assurance as to whether the systems, processes or transactions examined support sound financial considerations in the management of the funds and the operation of the enterprises comprised by the financial statements.

If, based on the work performed, we conclude that material critical comments should be made, we are required to report this.

We have no material critical comments to report in this connection.

Copenhagen, 17 March 2021

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**PricewaterhouseCoopers**

CVR: 33771231

**Jesper Møller Langvad**

State Authorised Public Accountant  
MNE: mne21328

**Jesper Randall Petersen**

State Authorised Public Accountant  
MNE: mne34352

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**Rigsrevisionen**  
(National Audit Office of Denmark)

CVR: 77806113

**Lone Lærke Strøm**

Auditor General

**Malene Sau Lan Leung**

Director



# 1,400

In 2020, approx. 1,400  
customers subscribed to AIM's  
newsletter about our publications.

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# Accounting policies

The 2020 annual report of Naviair, a company owned by the Danish state, is presented in accordance with the provisions of the Danish Financial Statements Act for reporting class D and the Danish Act on Naviair.

The accounting policies are unchanged from those used in the previous financial year.

Unless otherwise stated below, the accounting policies for the parent company and the group are identical.

## Recognition and measurement in general

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company as a result of a past event and the asset has a value that can be measured reliably.

Liabilities are recognised in the balance sheet when the company has a legal or constructive obligation as a result of a past event, the settlement of which is expected to result in an outflow from the company of resources embodying future economic benefits and the liability has a value that can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Subsequent to initial measurement, assets and liabilities are recognised as described for each item below.

On recognition and measurement, account is taken of foreseeable risks and losses arising before the time at which the annual report is presented that confirm or disprove circumstances existing at the balance sheet date.

Income is recognised in the income statement as earned, and expenses are recognised at the amounts that relate to the financial year.

## Foreign currency translation

The measurement currency used is Danish kroner (DKK). All other currencies are accounted for as foreign currencies.

On initial recognition, transactions in foreign currencies are translated at the exchange rate at the transaction date. Receivables, liabilities other than provisions and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rate at the balance sheet date. Any differences arising between the exchange rate at the transaction date and the exchange rates at the payment and balance sheet dates respectively are recognised in the income statement as net financials. Items of property, plant and equipment and intangible assets, inventories and other non-monetary assets purchased in foreign currencies are translated using historical rates.

## Consolidated financial statements

The consolidated financial statements comprise the parent company and the subsidiary (Naviair Surveillance A/S), which is controlled by the parent company. The parent company is considered to control an enterprise when it holds, directly or indirectly, more than 50 per cent of the voting rights or is able to control or actually controls the enterprise in some other way. Enterprises in which the group holds, directly or indirectly, between 20 and 50 per

cent of the voting rights and over which it has significant influence, but not control, are accounted for as associates, including Entry Point North AB.

## Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and its subsidiaries. On preparation of the consolidated financial statements, identical items are aggregated, and intragroup income and expenses, balances and dividends are eliminated. Gains and losses arising from transactions between the consolidated enterprises are also eliminated. The financial statements used in the preparation of the consolidated financial statements are prepared in accordance with the group's accounting policies.

Subsidiaries' items are fully consolidated in the consolidated financial statements.

## Income statement

### Revenue

Revenue related to air traffic control is recognised in the income statement in the period in which the flights have taken place. Other income is recognised when delivery to the buyer has been made. Income related to the award of government grants for operating projects is recognised in the income statement as the associated costs are recognised.

The adjustment for the year of over-/under-recoveries from en route and terminal activities is recognised as revenue.

Regulatory over-/under-recoveries are recognised in the balance sheet as provisions or receivables, respectively

Revenue is recognised net of VAT, duties and trade discounts and is measured at the fair value of the agreed consideration.

### **Work performed for own account and capitalised**

Work performed for own account and capitalised comprises staff costs and other internal expenses incurred during the financial year and recognised in the cost of self-constructed intangible assets and property, plant and equipment.

### **Other operating income**

Other operating income comprises income of a secondary nature in relation to Naviair's core activity.

### **Other external expenses**

Other external expenses comprise expenses related to the company's core activities, including expenses for operation of operational systems and equipment, training and education, administration, premises, bad debts etc. Expenses related to projects that do not meet the criteria for recognition in the balance sheet are also recognised as other external expenses.

### **Staff costs**

Staff costs comprise wages and salaries, pensions and other social security costs etc. for the company's employees

### **Depreciation, amortisation and impairment losses**

Depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets consist of depreciation, amortisation and impairment losses for the year determined on the basis of the set residual values and useful lives

of the individual assets and impairment tests carried out, respectively. Government grants for depreciable capital expenditure projects are recognised as the relevant assets are depreciated.

### **Other operating expenses**

Other operating expenses comprise expenses of a secondary nature in relation to Naviair's core activity.

### **Income from investments in associates**

#### *Parent company*

Income from investments in associates comprises dividends and similar received from the individual associates during the financial year.

#### *Group*

Income from investments in associates comprises the proportionate share of the individual associates' profits/losses after elimination of intragroup profits and losses.

### **Other financial income**

Financial income comprises interest income; realised and unrealised foreign exchange gains on securities, liabilities other than provisions and transactions denominated in foreign currencies etc. as well as repayments under the Danish on-account tax scheme.

### **Other financial expenses**

Financial expenses comprise interest expense; realised and unrealised foreign exchange losses on securities, liabilities other than provisions and transactions denominated in foreign currencies; amortisation premiums and allowances relating to mortgage loans etc. as well as surcharges under the on-account tax scheme.

### **Income tax**

Income tax expense, consisting of current tax for the year and changes in deferred tax, is recognised in the

income statement with the portion attributable to profit for the year, and directly in equity with the portion attributable to entries directly to equity.

The company is taxed jointly with its Danish subsidiary. Current Danish income tax is allocated among the jointly taxed enterprises in proportion to their taxable income (full allocation with reimbursement in respect of tax losses).

## **Balance sheet**

### **Intangible assets**

Intangible assets comprise IT projects in progress and completed IT projects as well as other intellectual property rights acquired.

The cost of intangible assets comprises expenses, including salaries and amortisation, that are directly or indirectly attributable to those assets.

Indirect production costs in the form of indirectly attributable staff costs and amortisation and depreciation on intangible assets and property, plant and equipment used in the process, are recognised in cost on the basis of man-hour consumption on each project. Interest expense on loans to finance the construction of intangible assets is recognised in cost if it relates to the construction period.

Intangible assets are measured at cost less accumulated amortisation. Amortisation is charged on a straight-line basis over the estimated useful lives of the assets, which are 3-20 years.

Intangible assets are written down to the recoverable amount if this is lower than the carrying amount.



### Property, plant and equipment

Land and buildings, plant and equipment, transport equipment, fixtures and fittings and IT equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost includes purchase price, expenses directly attributable to the acquisition and expenses attributable to bringing the asset to a working condition until the date on which the asset is ready for use. The cost of self-constructed assets includes the direct and indirect cost of materials, components, subcontractors and wages and salaries.

Indirect production costs in the form of indirectly attributable staff costs and amortisation and depreciation on intangible assets and property, plant and equipment used in the construction process, are recognised in cost on the basis of man-hour consumption on each asset. Interest expense on loans to finance the construction of items of property, plant and equipment is recognised in cost if it relates to the construction period.

The basis of depreciation is the cost less the estimated residual value at the end of the asset's useful life. The residual value of these fixed assets has been estimated at nil, as they are user-specific to such an extent that it is expected that they will not have any saleable value at the end of their useful lives.

Depreciation is charged on a straight-line basis over the estimated useful lives as follows:

- Buildings and installations: 10-50 years
- Plant and machinery: 6-20 years
- Fixtures and fittings, tools and equipment: 3-8 years

The estimated useful lives of items of property, plant and equipment are broken down into significant components.

Items of property, plant and equipment are written down to the recoverable amount if this is lower than the carrying amount.

### Investments in group enterprises

#### *Parent company*

Investments in group enterprises are measured at cost. Such investments are written down to the recoverable amount if this is lower than the carrying amount.

### Investments in associates

#### *Parent company*

Investments in associates are measured at cost. Such investments are written down to the recoverable amount if this is lower than the carrying amount.

#### *Group*

Investments in associates are recognised and measured using the equity method. Accordingly, the investments are measured at the proportionate share of the companies' net asset values after addition or deduction of unamortised positive or negative goodwill, respectively, and after deduction or addition of unrealised, proportionate intragroup gains and losses.

In connection with the distribution of profit for the year, net revaluation of investments in associates is transferred to reserve for net revaluation according to the equity method within equity.

### Other securities and equity investments

Other securities and equity investments recognised in investments are measured at fair value.

Other equity investments include an investment in an unlisted company. As the fair value of this unlisted company cannot be determined reliably, the investment has been measured at cost.

### Regulatory over-/under-recoveries

For en route activities in Denmark and TNC Copenhagen, Naviar is entitled to carry forward over-/under-recoveries in accordance with the provisions under the EU regulation on performance schemes for ANSPs, including the provisions on risk-sharing relating to the development in traffic.

Regulatory over-/under-recoveries are recognised as provisions or receivables, respectively, with set-off in the income statement under revenue. The balance is the amount which the company expects to reimburse or charge through the coming years' rates for business areas subject to regulatory price adjustments.

Over-/under-recoveries are measured at amortised cost, which normally corresponds to the nominal value. If we estimate that it is not probable that the full receivable will be recovered from users, the receivable is written down to its lower estimated value (the recoverable amount).

### Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less provisions for bad and doubtful debts.

### Prepayments

Prepayments comprise expenses incurred that are attributable to subsequent financial years. Prepayments are measured at cost.

**Securities**

Securities comprise the holding of government and/or mortgage bonds, which is measured at fair value.

**Cash**

Cash comprises cash at bank and in hand.

**Deferred tax**

Deferred tax is recognised in respect of all temporary differences between the carrying amounts and the tax base of assets and liabilities. The tax base of the assets is determined on the basis of the intended use of the individual asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at the value at which the asset is expected to be realised, either by set-off against deferred tax liabilities or as net tax assets.

**Other financial liabilities**

Other financial liabilities are measured at amortised cost, which normally corresponds to the nominal value. Long-term liabilities other than provisions are measured at cost on inception of the loan, equivalent to the proceeds received net of transaction costs. Mortgage loans are subsequently measured at amortised cost.

**Pensions and availability pay**

Naviar pays pension contributions to the Danish state in respect of civil servants and employees employed under collective agreement on special terms (former civil servants), and the Danish state has therefore taken over the pension obligations in respect of these employees. The pension obligations in respect of other employees are covered under defined contribution pension plans. Naviar is responsible for obligations pursuant to the Danish Civil Servants Act's Section 32 on availability pay. These obligations are disclosed as contingent liabilities.

**Income tax receivable and payable**

Current tax payable or receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for taxes paid on account.

**Deferred income**

Deferred income comprises invoiced income to be recognised in the income statement in subsequent financial years. Deferred income is measured at cost.

**Cash flow statement**

The cash flow statement is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the company's cash and cash equivalents at the beginning and at the end of the year.

Cash flows from operating activities are determined as operating profit adjusted for non-cash operating items, working capital movements and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisition and disposal of companies, activities and investments as well as purchase, development, improvement and sale etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the company's capital and associated costs as well as inception of loans, conclusion of finance leases, repayments on interest-bearing debt and payment of dividends.

Cash and cash equivalents comprise cash and short-term securities that are subject to an insignificant risk of changes in value and are readily convertible to cash.

The cash flow statement cannot be derived from the published accounting records alone.



# DKK 404

The en route unit rate for Danish airspace was DKK 429 per service unit in 2020. The rate will be lowered to DKK 404 in 2021.

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# 5 years

Entry Point North Denmark celebrated  
its fifth anniversary in 2020

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# Income statement

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER (DKK '000)	Note	Group		Parent company	
		2020	2019	2020	2019
Revenue	1	957,204	937,245	957,216	937,257
Work performed for own account and capitalised	2	19,325	20,459	19,325	20,459
Other operating income	3	0	207,051	0	207,051
Other external expenses	4	(214,822)	(215,171)	(214,701)	(214,834)
Staff costs	5	(667,617)	(597,774)	(667,617)	(597,774)
Depreciation, amortisation and impairment losses	6	(106,093)	(101,480)	(106,093)	(101,480)
Other operating expenses	3	0	(210,772)	0	(210,772)
<b>Operating profit (loss)</b>		<b>(12,003)</b>	<b>39,558</b>	<b>(11,870)</b>	<b>39,907</b>
Impairment of financial assets	13	(33,800)	0	(57,155)	0
Income from investments in associates		8,286	15,774	2,877	4,434
Financial income	7	2,290	2,703	8,897	9,285
Financial expenses	8	(17,777)	(16,990)	(17,738)	(16,930)
<b>Profit (loss) on ordinary activities before tax</b>		<b>(53,004)</b>	<b>41,045</b>	<b>(74,989)</b>	<b>36,696</b>
Income tax expense	9	5,979	(3,694)	4,520	(5,155)
<b>Profit (loss) for the year</b>	10	<b>(47,025)</b>	<b>37,351</b>	<b>(70,469)</b>	<b>31,541</b>



# Balance sheet

ASSETS (DKK '000)	Note	Group		Parent company	
		31.12.2020	31.12.2019	31.12.2020	31.12.2019
Intangible rights acquired		3,847	4,750	3,847	4,750
ATM system		521,342	528,196	521,342	528,196
Intangible assets under construction		30,121	43,503	30,121	43,503
<b>Intangible assets</b>	11	<b>555,310</b>	<b>576,449</b>	<b>555,310</b>	<b>576,449</b>
Land and buildings		264,914	266,242	264,914	266,242
Plant and machinery		264,600	295,807	264,600	295,807
Fixtures and fittings, tools and equipment		7,882	5,298	7,882	5,298
Property, plant and equipment under construction		58,961	47,322	58,961	47,322
<b>Property, plant and equipment</b>	12	<b>596,357</b>	<b>614,669</b>	<b>596,357</b>	<b>614,669</b>
Investments in group enterprises		0	0	18,345	75,500
Investments in associates		31,213	27,841	4,833	4,833
Other securities and equity investments		146,377	180,177	0	0
<b>Investments</b>	13	<b>177,590</b>	<b>208,018</b>	<b>23,178</b>	<b>80,333</b>
<b>Fixed assets</b>		<b>1,329,257</b>	<b>1,399,136</b>	<b>1,174,845</b>	<b>1,271,451</b>
Trade receivables	14	139,982	172,662	139,982	172,662
Receivables from group enterprises		0	0	130,128	127,080
Other receivables	15	108,264	59,532	108,149	59,523
Regulatory under-recoveries	16	288,163	0	288,163	0
Prepayments	17	37,539	39,004	37,539	39,004
<b>Receivables</b>		<b>573,948</b>	<b>271,198</b>	<b>703,961</b>	<b>398,269</b>
<b>Securities</b>		<b>0</b>	<b>149,548</b>	<b>0</b>	<b>149,548</b>
<b>Cash</b>		<b>10,420</b>	<b>59,848</b>	<b>9,876</b>	<b>55,289</b>
<b>Current assets</b>		<b>584,368</b>	<b>480,594</b>	<b>713,837</b>	<b>603,106</b>
<b>Assets</b>		<b>1,913,625</b>	<b>1,879,730</b>	<b>1,888,682</b>	<b>1,874,557</b>

EQUITY AND LIABILITIES (DKK '000)	Note	Group		Parent company	
		31.12.2020	31.12.2019	31.12.2020	31.12.2019
Contributed capital		600,000	600,000	600,000	600,000
Reserve for net revaluation according to the equity method		26,380	23,008	0	0
Retained earnings		459,137	511,573	459,137	529,606
<b>Equity</b>		<b>1,085,517</b>	<b>1,134,581</b>	<b>1,059,137</b>	<b>1,129,606</b>
Deferred tax	18	67,847	73,817	69,309	73,817
Provisions for regulatory over-recoveries	19	0	185,869	0	185,869
<b>Provisions</b>		<b>67,847</b>	<b>259,686</b>	<b>69,309</b>	<b>259,686</b>
Subordinated loan capital	20	200,000	200,000	200,000	200,000
Credit institutions		175,000	0	175,000	0
Frozen holiday pay		56,135	0	56,135	0
<b>Long-term liabilities other than provisions</b>		<b>431,135</b>	<b>200,000</b>	<b>431,135</b>	<b>200,000</b>
Trade payables		46,085	52,426	46,060	52,228
Payables to associates		342	3,056	342	3,056
Income tax payable		0	2,864	0	2,864
Other payables	21	185,158	139,525	185,158	139,525
Deferred income		97,541	87,592	97,541	87,592
<b>Short-term liabilities other than provisions</b>		<b>329,126</b>	<b>285,463</b>	<b>329,101</b>	<b>285,265</b>
<b>Liabilities other than provisions</b>		<b>760,261</b>	<b>485,463</b>	<b>760,236</b>	<b>485,265</b>
<b>Equity and liabilities</b>		<b>1,913,625</b>	<b>1,879,730</b>	<b>1,888,682</b>	<b>1,874,557</b>
Contingent liabilities	22				
Related parties and ownership	23				
Events after the reporting period	24				

# Statement of changes in equity

STATEMENT OF CHANGES IN EQUITY (DKK '000)	Group				Parent company		
	Contributed capital	Reserve for net revaluation according to the equi- ty method	Retained earnings	Total	Contributed capital	Retained earnings	Total
Equity at 1 January 2020	600,000	23,008	511,573	1,134,581	600,000	529,606	1,129,606
Dividend received from associates	0	(2,877)	0	(2,877)	0	0	0
Foreign exchange adjustments	0	838	0	838	0	0	0
Profit (loss) for the year	0	5,411	(52,436)	(47,025)	0	(70,469)	(70,469)
<b>Equity at 31 December 2020</b>	<b>600,000</b>	<b>26,380</b>	<b>459,137</b>	<b>1,085,517</b>	<b>600,000</b>	<b>459,137</b>	<b>1,059,137</b>

There have been no changes to contributed capital in the past five years.

# Cash flow statement

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER (DKK '000)	Note	Group		Parent company	
		2020	2019	2020	2019
Operating profit (loss)		(12,003)	39,558	(11,870)	39,907
Depreciation, amortisation and impairment losses		112,462	107,387	112,462	107,387
Other provisions		(191,839)	30,713	(190,377)	30,713
Working capital movements	25	(202,954)	(14,830)	(205,721)	(13,520)
<b>Cash flows from operations</b>		<b>(294,334)</b>	<b>162,828</b>	<b>(295,506)</b>	<b>164,487</b>
Financial income received		5,167	7,137	11,774	13,719
Financial expenses paid		(17,777)	(16,990)	(17,738)	(16,930)
Income tax paid		5,979	(12,510)	4,520	(13,971)
<b>Cash flows from operating activities</b>		<b>(300,965)</b>	<b>140,465</b>	<b>(296,950)</b>	<b>147,305</b>
Purchase of intangible assets		(25,409)	(38,876)	(25,409)	(38,876)
Purchase of property, plant and equipment		(47,602)	(73,505)	(47,602)	(73,505)
Purchase/sale of securities		149,548	(49,959)	149,548	(49,959)
<b>Cash flows from investing activities</b>		<b>76,537</b>	<b>(162,340)</b>	<b>76,537</b>	<b>(162,340)</b>
Increase in mortgage debt		175,000	0	175,000	0
<b>Cash flows from (used in) financing activities</b>		<b>175,000</b>	<b>0</b>	<b>175,000</b>	<b>0</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(49,428)</b>	<b>(21,875)</b>	<b>(45,413)</b>	<b>(15,035)</b>
Cash and cash equivalents at 1 January		59,848	81,723	55,289	70,324
<b>Cash and cash equivalents at 31 December</b>		<b>10,420</b>	<b>59,848</b>	<b>9,876</b>	<b>55,289</b>



# Notes

## 1 Revenue

(DKK '000)	Group		Parent company	
	2020	2019	2020	2019
En route – Denmark, charges	259,579	628,000	259,579	628,000
TNC Copenhagen, charges	63,747	163,702	63,747	163,702
Local airports	42,470	55,280	42,470	55,280
North Atlantic	35,249	29,674	35,249	29,674
Areas covered by the Danish Appropriations Act	45,019	58,658	45,019	58,658
Other trade receivables	37,108	33,845	37,120	33,857
Adjustment of over-/under-recoveries charges	474,032	(31,914)	474,032	(31,914)
	<b>957,204</b>	<b>937,245</b>	<b>957,216</b>	<b>937,257</b>

## 2 Work performed for own account and capitalised

(DKK '000)	Group		Parent company	
	2020	2019	2020	2019
Capitalised direct payroll	17,810	18,834	17,810	18,834
Capitalised indirect production costs	1,515	1,625	1,515	1,625
	<b>19,325</b>	<b>20,459</b>	<b>19,325</b>	<b>20,459</b>

## 3 Other operating income and other operating expenses

Other operating income in 2019 comprises services provided to NUAC HB under supply contract, including primarily secondment of employees to NUAC HB. Other operating expenses in 2019 comprise services provided by NUAC AB under supply contract, including primarily operation of the ATCC in Kastrup and related operational support.

The supply contract with NUAC HB has been terminated, and the operation of the ATCC at Kastrup, including operational support, reverted to Naviar on 1 September 2019. NUAC HB went into solvent liquidation in 2019.

## 4 Other external expenses

(DKK '000)	Group		Parent company	
	2020	2019	2020	2019
Fees to auditors.				
Audit fees, external auditor	425	446	400	420
Consultancy fees, external auditor	2,374	312	2,374	312
Other assurance engagements, external auditor	179	26	179	26
National Audit Office of Denmark, audit fees	0	108	0	108
	<b>2,978</b>	<b>892</b>	<b>2,953</b>	<b>866</b>

**5 Staff costs**

(DKK '000)	Group		Parent company	
	2020	2019	2020	2019
Wages and salaries	615,170	511,553	615,170	511,553
Pensions	50,794	83,948	50,794	83,948
Other social security costs	1,653	2,273	1,653	2,273
	<b>667,617</b>	<b>597,774</b>	<b>667,617</b>	<b>597,774</b>
Of which remuneration to the Executive Board and the Board of Directors.				
Salaries to the Executive Board	3,786	3,701	3,786	3,701
Pensions to the Executive Board	599	590	599	590
Remuneration to the Board of Directors	1,667	1,618	1,667	1,618
	<b>6,052</b>	<b>5,909</b>	<b>6,052</b>	<b>5,909</b>

Staff costs were affected by a DKK 72 million provision for agreements on voluntary redundancies that will have been implemented by the end of 2021.

Salary and pension for the CEO totalled DKK 2,427 thousand, including performance-based pay of DKK 132 thousand. Salary and pension for the Deputy CEO & CFO totalled DKK 1,959 thousand, including performance-based pay of DKK 92 thousand. The remuneration of the Chairman of the Board of Directors was DKK 426 thousand, the remuneration of the Deputy Chairman DKK 295 thousand and the remuneration of other members DKK 137 thousand. Remuneration to members of the Audit Committee totalled DKK 123 thousand.

**Average number of employees**

<b>627</b>	<b>630</b>	<b>627</b>	<b>630</b>
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**6 Depreciation, amortisation and impairment losses**

(DKK '000)	Group		Parent company	
	2020	2019	2020	2019
Intangible assets acquired	2,324	1,641	2,324	1,641
ATM system	44,224	42,379	44,224	42,379
Land and buildings	21,540	21,665	21,540	21,665
Plant and machinery	39,894	38,078	39,894	38,078
Fixtures and fittings, tools and equipment	4,480	3,624	4,480	3,624
Government grants for capital expenditure projects	(6,369)	(5,907)	(6,369)	(5,907)
	<b>106,093</b>	<b>101,480</b>	<b>106,093</b>	<b>101,480</b>

**7 Financial income**

(DKK '000)	Group		Parent company	
	2020	2019	2020	2019
Foreign exchange gains	827	964	826	956
Interest income group enterprises	0	0	6,608	6,590
Interest income associates	0	2	0	2
Other interest income	1,463	1,737	1,463	1,737
	<b>2,290</b>	<b>2,703</b>	<b>8,897</b>	<b>9,285</b>

**8 Financial expenses**

	Group		Parent company	
(DKK '000)	2020	2019	2020	2019
Foreign exchange losses	1,483	1,309	1,475	1,298
Capital losses on bonds	1,488	1,946	1,488	1,946
Other interest expense	19,521	19,560	19,490	19,511
Non-deductible interest and percentage supplement	26	0	26	0
Capitalisation of interim interest	(4,741)	(5,825)	(4,741)	(5,825)
	<b>17,777</b>	<b>16,990</b>	<b>17,738</b>	<b>16,930</b>

**9 Income tax expense**

	Group		Parent company	
(DKK '000)	2020	2019	2020	2019
Current tax for the year	0	6,924	0	8,385
Change in deferred tax	(5,970)	(1,200)	(4,508)	(1,200)
Adjustment of prior year taxes	(9)	(2,030)	(12)	(2,030)
	<b>(5,979)</b>	<b>3,694</b>	<b>(4,520)</b>	<b>5,155</b>

**10 Proposed distribution of profit**

	Group		Parent company	
(DKK '000)	2020	2019	2020	2019
Reserve for net revaluation according to the equity method	5,411	11,340	0	0
Retained earnings	(52,436)	26,011	(70,469)	31,541
	<b>(47,025)</b>	<b>37,351</b>	<b>(70,469)</b>	<b>31,541</b>

**11 Intangible assets**

(DKK '000)	Intangible rights acquired	ATM system	Intangible assets under construction	Total
Cost at 1 January 2020	27,477	936,483	43,503	1,007,463
Additions	323	6,091	18,995	25,409
Disposals	(9)	0	0	(9)
Transfers	1,098	31,279	(32,377)	0
<b>Cost at 31 December 2020</b>	<b>28,889</b>	<b>973,853</b>	<b>30,121</b>	<b>1,032,863</b>
Depreciation, amortisation and impairment losses at 1 January 2020	22,727	408,287	0	431,014
Depreciation charge	2,315	44,224	0	46,539
Write-downs on scrapped assets	9	0	0	9
Disposals	(9)	0	0	(9)
<b>Depreciation, amortisation and impairment losses at 31 December 2020</b>	<b>25,042</b>	<b>452,511</b>	<b>0</b>	<b>477,553</b>
<b>Carrying amount at 31 December 2020</b>	<b>3,847</b>	<b>521,342</b>	<b>30,121</b>	<b>555,310</b>
Portion related to capitalised finance costs	0	28,984	1,813	30,797

**Impairment test**

See note 12.



12 Property, plant and equipment (DKK '000)	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equip- ment under construction	Total
Cost at 1 January 2020	645,335	699,497	30,689	47,322	1,422,843
Additions	5,218	3,207	5,313	33,864	47,602
Disposals	(3,169)	(14,081)	(4,686)	0	(21,936)
Transfers	14,994	5,480	1,751	(22,225)	0
<b>Cost at 31 December 2020</b>	<b>662,378</b>	<b>694,103</b>	<b>33,067</b>	<b>58,961</b>	<b>1,448,509</b>
Depreciation, amortisation and impairment losses at 1 January 2020	379,093	403,690	25,391	0	808,174
Depreciation charge	21,540	39,628	4,277	0	65,445
Write-downs on scrapped assets	0	266	203	0	469
Disposals	(3,169)	(14,081)	(4,686)	0	(21,936)
<b>Depreciation, amortisation and impairment losses at 31 December 2020</b>	<b>397,464</b>	<b>429,503</b>	<b>25,185</b>	<b>0</b>	<b>852,152</b>
<b>Carrying amount at 31 December 2020</b>	<b>264,914</b>	<b>264,600</b>	<b>7,882</b>	<b>58,961</b>	<b>596,357</b>
Portion related to capitalised finance costs	6,024	16,586	0	2,683	25,293

Except for a few buildings with a total carrying amount of DKK 24.6 million at 31 December 2020, primarily constructed for navigation equipment at various locations across Denmark and in Greenland, Naviair's total building stock with a total carrying amount of DKK 148.1 million at 31 December 2020 consists of buildings on leased land. These include the entire Naviair headquarters with ATCC, simulator buildings and offices situated in Maglebylille, and the Tower at Copenhagen Airport, Kastrup. These buildings all sit on land owned by Copenhagen Airports A/S.

#### Impairment test

As a result of the impact of COVID-19 on the decline in global air traffic, in our assessment there are indications that the value of the company's intangible assets and property, plant and equipment may have suffered an impairment loss. In light of this we have performed an impairment test where we assessed whether there was a need to write down the carrying amounts of intangible assets and property, plant and equipment to a lower recoverable amount.

The recoverable amount is based on the value of the company's expected future earnings and has been determined using Naviair's expected net cash flows based on management-approved budgets for the years 2021 - 2030, and a terminal period that assumes annual revenue growth of 1.5%. In these budgets, we have taken into account the fact that activity in the period until 2024 will be lower than in 2019. This ties in with analyses prepared by Eurocontrol, The European Organisation for the Safety of Air Navigation.

Because of Naviair's status as a company owned by the Danish state, in our assessment the company must be characterised as a company with low risk. Accordingly, the discount rate is lower than for ordinary business enterprises. For use in determining the recoverable amount, we used a rate of 5%. This corresponds to the return on equity, which Naviair uses when setting rates. The resulting value of intangible assets and property, plant and equipment (recoverable amount) was just under DKK 200 million higher than the current carrying amount.

Based on these assumptions, it is our assessment that the recoverable amount at the reporting date of 31 December 2020 is not lower than the carrying amounts of the intangible assets and property, plant and equipment. The carrying amounts consequently do not need to be written down.

The impairment test was carried out using a discount rate of 5%. If a discount rate of 6% had been used instead, the calculations show that the carrying amounts would have had to be written down by DKK 15 million compared to the carrying amount at 31 December 2020. In addition, the impairment test used a growth rate during the terminal period of 1.5%. If a growth rate of 1% had been used instead, viewed in isolation this would mean that the carrying amounts would have had to be written down by DKK 5 million compared to the carrying amounts at 31 December 2020.

## 13 Investments

	Group			Parent company		
(DKK '000)	Investments in associates	Other securities and equity investments	Total	Investments in group enterprises	Investments in associates	Total
Cost at 1 January 2020	4,833	180,177	185,010	75,500	4,833	80,333
<b>Cost at 31 December 2020</b>	<b>4,833</b>	<b>180,177</b>	<b>185,010</b>	<b>75,500</b>	<b>4,833</b>	<b>80,333</b>
Value adjustments at 1 January 2020	23,008	0	23,008	0	0	0
Write-downs	0	(33,800)	(33,800)	(57,155)	0	(57,155)
Dividends paid	(2,877)	0	(2,877)	0	0	0
Foreign exchange adjustments	838	0	838	0	0	0
Share of profit for the year	5,411	0	5,411	0	0	0
<b>Value adjustments at 31 December 2020</b>	<b>26,380</b>	<b>(33,800)</b>	<b>(7,420)</b>	<b>(57,155)</b>	<b>0</b>	<b>(57,155)</b>
<b>Carrying amount at 31 December 2020</b>	<b>31,213</b>	<b>146,377</b>	<b>177,590</b>	<b>18,345</b>	<b>4,833</b>	<b>23,178</b>

(DKK '000)	Registered office	Corporate form	Ownership interest	Equity at 31 December 2020	Profit (loss) 2020
<i>Investments in group enterprises comprise.</i>					
Naviar Surveillance A/S	Copenhagen	A/S	100.0	18,345	(39,122)
Naviar Surveillance USA LLC	Delaware, USA	LLC	100.0	146,438	(33,806)
<i>Investments in associates comprise.</i>					
Entry Point North AB	Malmö-Sturup	AB	33.3	91,945	17,922
<i>Other securities and equity investments comprise.</i>					
Aireon Holdings LLC	Delaware, USA	LLC	4.4		

Other securities and equity investments consist of a 4.4% membership interest in Aireon Holdings LLC ("Aireon"), which was acquired in multiple tranches in the period 2014-2017. The company Aireon develops and implements space-based global air traffic surveillance systems for commercial airlines and ANSPs.

The equity investments are recognised as investments and, as a rule, measured at fair value. However, as the investment is in an unlisted company, which means the fair value cannot be determined reliably, it has so far been carried at cost in the financial statements.

In view of the impact of COVID-19 on the decline in global air traffic, in our assessment there are indications that the fair value of the equity investments may need to be reassessed given that the investment in Aireon may be impaired.

We have consequently reassessed the valuation of the investment in Aireon in the form of an updated fair value calculation. The updated fair value has been calculated on the basis of a return-based cash flow model based on expected net cash flows in the form of expected dividends from Aireon for a period up to 2034, and a terminal value consisting of the value of general and ordinary dividends going forward.

We have carried out a valuation and calculated the fair value based on the latest budgeted results of Aireon's operations. The budget is subject to uncertainty partly related to the future, including the outlook for aviation in general given COVID-19, and partly related to the company's growth strategy. This growth assumes that new countries will sign up for Aireon's services and that that air traffic will increase.

**13 Investments (continued)**

The fair value has been determined using the following parameters:

- The fair value has been determined using a return-based cash flow model based on expected net cash flows in the form of expected dividends from Aireon for a period up to 2034.
- Long-term growth of 2% has been included. This is considered a reasonable growth rate in the long term, corresponding to general inflation and market growth. According to US CPI (US consumer price index), inflation has historically been 2-3%.
- The investment discount rate has been set by reference to a required return (WACC) of 17%. This is based on a required high interest rate for Aireon's external financing and in relation to the required interest rate for comparable investments.

Against this background, it is our opinion that the unlisted equity investment in Aireon should be carried at a reassessed fair value of DKK 146.4 million at 31 December 2020, which is less than the carrying amount at the end of 2019. A negative value adjustment of DKK 33.8 million has therefore been made.

**14 Trade receivables**

	Group		Parent company	
(DKK '000)	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Trade receivables, gross	155,921	178,073	155,921	178,073
Provision for bad and doubtful debts	(15,939)	(5,411)	(15,939)	(5,411)
	<b>139,982</b>	<b>172,662</b>	<b>139,982</b>	<b>172,662</b>

**15 Other receivables**

	Group		Parent company	
(DKK '000)	31.12.2020	31.12.2019	31.12.2020	31.12.2019
VAT and duties	4,255	3,925	4,252	3,916
Other receivables	104,009	55,607	103,897	55,607
	<b>108,264</b>	<b>59,532</b>	<b>108,149</b>	<b>59,523</b>

**16 Regulatory under-recoveries**

(DKK '000)	En route Denmark	TNC Copenhagen	Total
Regulatory under-recoveries at 1 January 2020	0	0	0
Transfer from regulatory over-recoveries	(143,610)	(42,259)	(185,869)
Reversed during the year due to recognition in rates	61,969	18,501	80,470
Adjustment re prior years	(4,579)	(441)	(5,020)
New over-recovery arising during the year	301,088	97,494	398,582
<b>Regulatory under-recoveries at 31 December 2020</b>	<b>214,868</b>	<b>73,295</b>	<b>288,163</b>
Including under-recovery from before 2020 expected to be reversed within one year	86,220	24,199	110,419

The impact of COVID-19 on the decline in global air traffic in 2020 meant a larger adjustment of over-/under-recoveries than in previous years. The result for the year benefited from a DKK 474 million adjustment of over-/under-recoveries. Of this figure, DKK 398 million related to 2020 by virtue of the EU regulation on exceptional measures. Naviar expects to be able to collect this sum through increased rates over a number of years from 2023 onwards in step with the expected increase in global air traffic. The exceptional measures regulation defines how member countries can recognise their actual costs in the financial years 2020 and 2021 in their regulatory under-/over-recoveries. Exceptional measures defer the performance requirements and the basis for the collection of rates for the performance period that were to have applied for 2020 up to 2024.

**17 Prepayments**

	Group		Parent company	
(DKK '000)	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Prepaid payroll	29,633	29,549	29,633	29,549
Other prepayments	7,906	9,455	7,906	9,455
	<b>37,539</b>	<b>39,004</b>	<b>37,539</b>	<b>39,004</b>



# 62.7%

Copenhagen Airport also saw a severe downturn in the number of departures and arrivals. The number of operations was 98,204 in 2020 compared to 263,434 in 2019. This represents a decrease of 62.7 per cent.



**18 Deferred tax**

	Group		Parent company	
(DKK '000)	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Deferred tax relates to the following items.				
Property, plant and equipment	118,672	114,708	118,672	114,708
Over-recoveries charges	63,396	(40,891)	63,396	(40,891)
Tax loss carryforward	(114,221)	0	(112,759)	0
	<b>67,847</b>	<b>73,817</b>	<b>69,309</b>	<b>73,817</b>

Provision for deferred tax at 31 December 2020 has been made at 22%, corresponding to the current tax rate. Naviair expects to generate positive taxable income within the next five years, which would mean that the tax loss carryforward can be utilised.

**19 Provisions for regulatory over-recoveries**  
(DKK '000)

	En route Denmark	TNC Copenhagen	Total
Provisions for regulatory over-recoveries at 1 January 2020	143,610	42,259	185,869
Transfer to regulatory under-recoveries	(143,610)	(42,259)	(185,869)
<b>Provisions for regulatory over-recoveries at 31 December 2020</b>	<b>0</b>	<b>0</b>	<b>0</b>

**20 Subordinated loan capital**

Subordinated loan capital covers a bullet loan with the Danish state represented by the Ministry of Transport. Each year, Naviair's Board of Directors must decide the extent to which it deems further repayment of the loan prudent based on an overall assessment of Naviair's financial position, liquidity and the extent of non-subordinated debt. No repayments were made on the loan in 2020. Interest is fixed at 9% p.a., and the loan ranks after Naviair's other interest-bearing debt. According to the loan agreement, the loan consequently meets the criteria for recognition as equity or capital ranking as equity.

**21 Other payables**

	Group		Parent company	
(DKK '000)	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Holiday pay liability	31,252	88,213	31,252	88,213
Payroll, A-tax, social security contributions etc. payable	145,258	35,748	145,258	35,748
Other payables	8,648	15,564	8,648	15,564
	<b>185,158</b>	<b>139,525</b>	<b>185,158</b>	<b>139,525</b>

**22 Contingent liabilities**

Naviair has a liability of up to DKK 0.9 billion under the Danish Act on Civil Servant Pension's Section 32 on availability pay for civil servants and employees employed under collective agreement on special terms. The obligation in respect of availability pay consists of three years' salary, including pension.

**Contractual obligations**

Naviair is a party to a number of contracts under which Naviair is under obligation to render a contractual performance.

Naviair is under obligation to provide ANS under the Danish Civil Aviation and Railway Authority's designation of Naviair and under agreements with Danish airports. Furthermore, Naviair has entered into contracts on support and maintenance of aviation-related systems and equipment with Danish airports and other Danish ANSPs.

Within the area of property, plant and equipment under construction, Naviair has entered into contracts on upgrading of Naviair's ATM system and acquisition of aviation-related equipment and systems to a value of approx. DKK 103 million. The remaining payment obligation under these contracts is approx. DKK 61 million.



**23 Related parties and ownership****Basis****Control**

Danish Ministry of Transport, DK 1220 Copenhagen K	Owner, 100%
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**Other related parties**

Danish Civil Aviation and Railway Authority, DK 2300 Copenhagen S	Supervisory authority
Entry Point North AB	Associate
Naviar Surveillance A/S	Group enterprise
Naviar Surveillance USA LLC	Group enterprise
Danish Defence	Contract for aerodrome and approach control services at Aalborg Airport Cooperation agreement on joint ANS and ATM provision
Board of Directors and Executive Board	Managerial control

For information on Naviar's transactions with the Board of Directors and the Executive Board, reference is made to the note on staff costs.

Naviar has raised a subordinated loan with the Danish Ministry of Transport as described in the note on subordinated loan capital. All transactions with related parties are made on an arm's length basis.

**24 Events after the reporting period**

After the reporting date of 31 December 2020, the Danish Parliamentary Finance Committee approved the appropriation document on lending Naviar DKK 500 million.

**25 Cash flow statement – working capital movements**

(DKK '000)	Group		Parent company	
	2020	2019	2020	2019
Changes in receivables etc.	(302,752)	(20,616)	(305,692)	(19,134)
Change in liabilities other than provisions etc.	99,798	5,786	99,971	5,614
	<b>(202,954)</b>	<b>(14,830)</b>	<b>(205,721)</b>	<b>(13,520)</b>





# CSR Report



Read more about Naviair in our CSR Report 2020 (in Danish only).  
The report can be downloaded at [www.naviair.dk/ar](http://www.naviair.dk/ar)

## About Naviair

Naviair is a state-owned infrastructure company with status as a company owned by the Danish state represented by the Ministry of Transport. Naviair manages flights through Danish airspace safely, efficiently and without delays. Naviair's core activity is ATM. We have activities and locations in Denmark, on the Faroe Islands and in Greenland. We create value for aviation, society and trade and industry by providing mobility and availability in Danish airspace.

## Naviair's CO<sub>2</sub> accounts

We are working actively to reduce our CO<sub>2</sub> emissions. To that end, we measure our footprint so that we can set targets and meet them.

## Anti-corruption and bribery

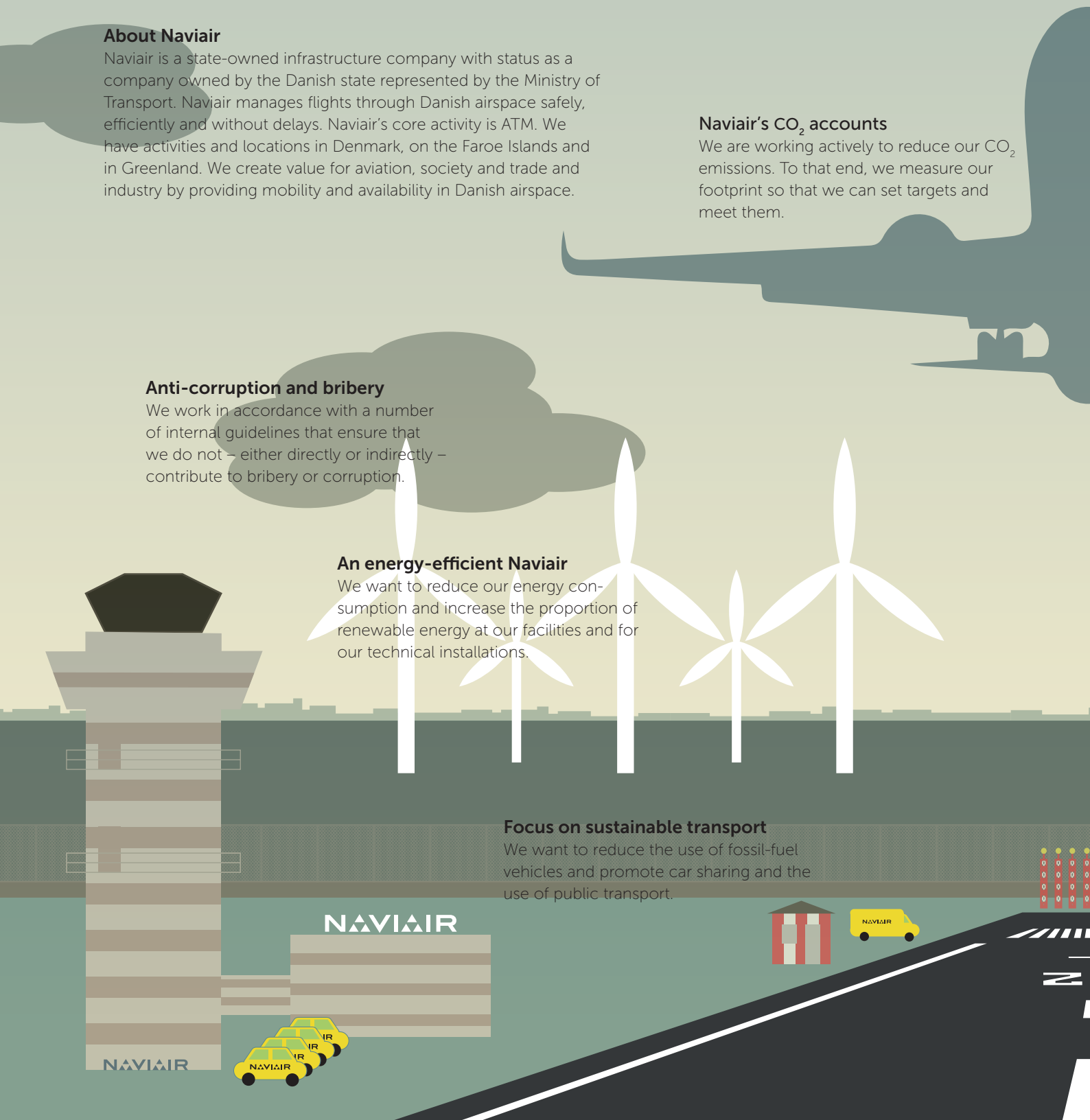
We work in accordance with a number of internal guidelines that ensure that we do not – either directly or indirectly – contribute to bribery or corruption.

## An energy-efficient Naviair

We want to reduce our energy consumption and increase the proportion of renewable energy at our facilities and for our technical installations.

## Focus on sustainable transport

We want to reduce the use of fossil-fuel vehicles and promote car sharing and the use of public transport.



### Naviair still aims high

We have defined strategies for how we must continuously strive to reduce our own consumption, be energy-efficient, provide sustainable solutions and reduce the impact of aviation on the climate.

### Global Goals as a springboard

Using our business strategy as a springboard, we are making focused efforts to meet UN Global Goals 7, 8, 9, 12, 13 and 15.

### Our contribution to a sustainable aviation industry

Through our services, we are indirectly helping to minimise the impact of aviation on the climate.

### Cooperation with the industry

Through strong cooperation with the aviation industry, we are contributing to our own, our customers' and Danish Aviation's overall climate vision of becoming carbon neutral by 2050.

### A Naviair in balance

We focus on people in our company and we are working on diversity, job satisfaction, management, skills development and our social responsibility.

### Focus on resource consumption and recycling

We are reducing our overall resource consumption and we support 100% recycling of the resources we consume.



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[www.twitter.com/naviair](https://www.twitter.com/naviair)

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Cover page: Parked SAS aircraft at Copenhagen Airport during the COVID-19 pandemic

Photo: Kasper Meldgaard

The annual report can be downloaded at [www.naviair.dk/ar](http://www.naviair.dk/ar)